

INTRODUCTION

The Department of the Assistant Municipal Manager was established during 2007 and consists of the following Sections.

Management Services:

- Legal Services
- Ward Committees
- Office of the Executive Mayor and Councillor Support
- Intergovernmental and International Relations

communication and Development

- Local Economic Development
- Tourism
- Communication and Public Relations
- Special Events

Social Development and Strategic Services

- Integrated Development Plan
- Performance Management System
- Social Development:
 - o Social Services
 - o Youth development
 - o HIV/AIDS Projects
 - Gender
 - Disability

OFFICE OF THE EXECUTIVE MAYOR

The 2008/2009 financial year was a very eventful and productive year, in which the municipality has been able to achieve numerous awards on both provincial and national level. Services were improved and a number of demanding challenges were overcome. However, this municipality is aware of the fact that challenges still remain and it is our desired aim to maintain high standards and to vigorously strive to improve on our performance to the benefit of our local economy and its citizens.

ACHIEVEMENTS

- a) The George City Council has made tremendous strides towards achieving its objectives and I am proud to highlight the performances for the past year: The IMESA Winner in the Environmental category for Outstanding Municipal Engineering Services for the Kaaimans Pump station Project
- b) The WISA Wilson Award for the best medium Sewerage Works in the country
- c) The IMESA Finalist for the best EPWP project in the land.
- d) The IMESA Finalist for the best Public Works Project for the building of streets and sidewalks, through labour intensive programs in the Streets and Stormwater category.
- e) Kudu Award 2009 for a non profit corporate institution for our contribution towards conservation for the Touw River Pipeline Project
- f) Blue Drop Award for Excellence (Medium System)
The status provides citizen's with information on the confidence that DWAF has in drinking & waste water management
- g) Green Drop Award for Excellence (Medium System)
- h) CESA Glenrand MIB Engineering Excellence Award commendation for a project less than R10 m for the Garden Route Dam.

CONDITIONAL GRANTS

100 % Expenditure of MIG Funds by September 2008

TOURISM :

PMR GOLDEN ARROW AWARD 2009: Southern Cape Region Leaders and Achiever

- a) 1st Overall: Category - Tourism Development Companies Outstanding
- b) 2nd Overall: Category - Companies / Institutions doing the most to enhance tourism, Excellent

SPORT

This year the City Council will be hosting the 8th International Rugby Board's Sevens Tournament - this at an operational cost of R3 million. In the past years the Council has spent R10 million on capital improvements to the Outeniqua Park stadium, without any help from the government. This tournament is being broadcasted to 30 million viewers each year, and draws in the region of 18 000 spectators.

INTERNATIONAL RELATIONS

Council continuously strives to improve international relations, and in the past year we have hosted the new Consul General of China as well as the Ambassador of Israel.

THE YEAR AHEAD

Although good progress has been made during the 2008/09 financial year, this does not mean that there is not more to be done. Key challenges for the year ahead still remains. Some of the main challenges we face is:

- poverty and unemployment,
- HIV/AIDS and drug abuse,
- infrastructure development and maintenance,
- the provision of low-cost housing and
- the influx of informal settlements and back yard dwellers.

WARD COMMITTEES

George Municipality has 20 wards of which 19 wards are functional. Ward Committee meetings are held quarterly.

A Ward Committee Forum was established in July 2008 mainly to enhance the strategic relationship between the George Community and George Municipality. The composition of the forum is as follows:

Speaker: Chairman
Ward Councillors
Municipal Manager
Senior Managers
Representative from each Ward Committee

This forum meets quarterly, just after the ward committee meetings. The minutes and common ward issues are discussed at this forum.

A District Ward Committee Summit was held on 14 November 2008. The purpose of the summit was to assess the current situation in the Eden District, to get first-hand inputs from the members of the ward committees and to jointly as different spheres of government determine what is needed to enhance the functioning of ward committees in the Province.

A Local Ward Committee Summit was held on 28 May 2009 so that all parties involved can get the opportunity to give their inputs in the current functioning of the ward committee system of George.

Public Participation Activities

Activity	Date
Drivers License Project	
This is for ladies between 35 - 50 yrs	31 March 2009
International Candle Light Memorial Day	17 May 2009
Annual Event: To show Council's support to HIV infected and affected persons	
Ward Committee Summit	28 May 2009
Report Back and Information Session on Ward Profiles (IDP)	12 June 2009
Youth Day	16 June 2009
Housing Imbizo	25 May - 8 June 2009
H I V Training	17,18 and June 2009

LOCAL ECONOMIC DEVELOPMENT

Review

This year was marked by changes in the staff compliment at the LED office. The following Key Performance Indicators were set for the 2008/09 financial year:

LED Charter	- Quarterly review / Update	Completed 100%
LED Implementation Plan	- Revise / Update	Completed 100%
LED strategy in place	- Revise / Update	Completed 100%
Establish LED forum		Not Completed

Appropriate guidelines for public and private development and investment in place	Completed 100%
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Ensure economic development by collecting, maintaining and disseminating relevant statistics.	Completed 100%
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Projects

The following four projects were also identified and attended to:

- a) Men on the Side of the Road (MSR) - As an agreement was conclude in terms of which MSR will be established on municipal land, discussions were held for the erection of a building for MSR, a non profit organisation (NPO), on Erf 464, Industrial Street, George.
- b) Masakhane Mall - A number of meetings were held with the various groups of people who want to be part of this project. It is necessary to formalise a group and discuss the developmental issues such as training, the terrain and building layout, development partners, etc.
- c) Eden School of Culinary Art (ESCA) - This School applied for funding from the LED Unit in order to be able to present for disadvantaged students and purchase equipment. Provision will be made on the 2009/10 financial year for assistance.
- d) Furntec - This organisation has also applied for LED funding for the training of people in the wood industry. Consideration will also be given to funding in the next financial year.

Social Development Section

Social Services and Community Development Projects

(July 2008 - June 2009)

PROGRAMMES AND PROJECTS:

War on Poverty

As part of the task team, the Social worker was involved with the arrangements for the Regional Poverty Indaba.

Food Garden Project

The Social workers provide seeds for individual and community food gardens. The produce are used for household nutrition or sold to generate income. Over two hundred gardens were established in the George district.

Arts and Crafts groups

The groups mostly consist of women. The social work section provides support and assist with the marketing of articles

Articles are sold to generate income.

Soupkitchens

About 210 soupkitchens were established in the district of George. A dietician from PAWC were approached to address

and improve the nutritional value of the soup products. Approximately 25 297 children and 1 251 adults benefited from this.

Blanco Safe House

The Home for Children Living on the Street is managed by Kidstop since February 2008. Approximately seven (7) children were placed back in school and nine (9) children were reunited with their families. About eleven (11) children underwent and completed the basic reading and writing programme at Kidstop successfully.

Council Crèches

The social workers assist with capacity building of staff and governing structures. Monthly monitoring takes place. The social development section provides alternative support by channelling services to address problems and needs of the crèches.

Aftercare Projects

The social workers are also involved in the establishment and capacity building of aftercare centres. Volunteers are assisted with registering with Provincial Department of Social Development. The aftercare in Wildernishoogte is monitored on a monthly basis. Children receive a daily meal.

Drug Abuse Awareness Project

The Drug awareness campaign kicked off in February/March 2009. Activities included a door to door campaign, distribution of pamphlets posters and stickers, informative radio talk shows, newspaper articles, information stalls, puppet shows, a drug awareness day and networking with Departments and Organisations.

Holiday Programmes

A week long holiday programme took place during April and June 2009. The programme included life skills education. Various organisations focussed on topics such as drug awareness, HIV awareness, child safety and decision making. The children received a daily meal.

Information sessions

Information sessions take place monthly and focus on social challenges and municipal services. More than 2000 persons were reached.

OCC Wheelchair Competition for Primary Schools

The social workers were involved in the planning of the annual OCC school wheelchair competition and also co-ordinated the activities for the day.

HIV and TB Awareness Projects

The social workers assist with TB and HIV projects on a regular basis such as door to door programmes and awareness days. They also form part of the treatment and care working group of the HIV subcommittee.

Training

The community groups received beadwork training during May 2009.

Pauper Burials

Approximately 19 pauper burial investigations took place and were recommended.

YOUTH DEVELOPMENT

1. DRIVERS LICENCE PROJECT

This project targeted youth who volunteers their services to the community or work for a small salary at service organisations

2. TRAINING, SKILLS DEVELOPMENT AND AWARENESS AND INFORMATION SESSIONS

Various information and awareness sessions were organised through the course of the year to youth groups and organisations. Topics here will include HIV/AIDS, crime, sexuality, careers choices, etc. Training and skills development were presented to youth organisations and groups. Topics included First Aid training, leadership skills, entrepreneurial skills, referral to organisations, etc. The purpose here is to equip the youth in these organisations to develop other young people that they render a service to.

3. YOUTH SUMMIT

A very first Youth Summit was held with a focus on youth and sports. Delegates who attended were from George and the rest of the Western Cape Provinces. The Summit sought to motivate youth into pursuing sports as a career, being motivated by professional sports people, creating awareness around 2010 and to network with other youth structures from the Western Cape Province.

4. ROADSHOWS

Road shows were started in this financial year to inform Ward committees around Youth Development in George. The sessions were not completed in this year, but ran over into the next financial year.

5. VOLUNTEER PROGRAMME

A great deal of young people volunteers their time and services to develop and improve their communities. These volunteer programmes included clean-up campaigns in their neighbourhood, conducting training, mentor programmes, after school programmes and community safety initiatives.

YOUTH DAY

Youth Day was celebrated at Thembaletu Sports grounds this year. The day saw over 1500 young people attending the celebrations of the day. Information stall were available where different institutions displayed and made their services to the youth.

A very successful networking evening was also held on this day, where the good work that youth organisations are doing were showcased through presentations. These organisations were presented with a certificate of gratitude for the good work that they were doing from the George Municipality.

6. CAREERS EXHIBITION

The Careers Exhibition targeted Grade 9 learners from local high schools. In conjunction with the Department of Education a Careers Exhibition was held where different tertiary institutions exhibited the different career paths that they have on offer. The school psychologists of the Department of Education explained to the learners which subjects they need to complete successfully for certain careers.

7. SPORTS PROJECTS

This project was done in conjunction with the Sports Development Section of the George Municipality. The focus was mainly on youth in the rural areas of George and is part of a 3 year period. Educational and information sessions coupled the sports clinics.

8. HOLIDAY PROGRAMME

Holiday programmes were organised in conjunction with local youth development organisations. Youth were provide with information around opportunities available to them, talent shows and sports games were organised as well.

9. YOUTH SEXUALITY PROGRAMME (TEENAGE PREGNANCY PROJECT)

A group of young people were trained in basic topics around sexuality and research in order to do a survey around the high teenage pregnancy figure amongst teenagers in the Borchers area. The project started in 2007/2008 financial year and spilled over into the 2008/2009 financial year as the group continued with awareness campaigns at schools. Some of the group members were place into life skills programs and ABET classes as some of them were found to be early school leavers and also struggled with personal problems.

10. INDIVIDUAL SESSIONS

Besides projects that are initiated from the Youth Office, many young people are assisted daily who come into the office for assistance. The assistance will include counselling around problems they face, ideas that they want to turn around into projects, financial assistance, school projects or assignments

GENDER/DISABILITY COORDINATOR

The position of Gender/Disability Coordinator in the Office of the Assistant Municipal Manager (Social Development and Strategic Services) were advertised and filled for the first time on 1 July 2008. No infrastructure, policies, developmental plans and or other programmes existed from which the newly appointed employee could draw assistance from. The section had to be developed and build to serve the community and implement requirements as set out by various legislations to mainstream disability and implement Gender action plans.

A. Performance Highlights

1. Audits:

All Municipal buildings were scanned and evaluated according to:

- Accessibility
- Parking at the building
- Toilette facilities
- General signage for persons with disabilities

All Municipal posts/positions audit to identify appointment positions for persons with disabilities & gender

- Job requirements
- Availability

Needs of women in the organization regarding training, development and other

2. Policies:

- Disability Policy for Employees
- Policy for support of Disability Projects
- Gender Policy for Employees
- Application and Evaluation form of Festivals supported by Council

3. Other Policies:

- Developmental Plan for Disabilities
- Developmental Plan for Gender
- Disclosure of disability
- Trading bays for disabled persons

B Projects/Programmes

1. Awareness

- Casual Day: An activity was done in collaboration with the Department of Civil Engineering to access the wheelchair friendliness and the accessibility of the street of George in York and other side streets.
- Female Cancers Awareness Day: This was done in collaboration with Canca and Provincial Health.
- Make up and Wake up Fun walk: A 3 km fun walk in support of the 16 days of activism campaign against abuse of women and children
- Deaf/Blind Awareness Day: Activities to highlight the difference between visually and hearing impaired and the various conditions

2. Special Days/Events

- Women's Day
- Outeniqua Wheelchair Challenge
- Schools activity for wheelchair friendliness awareness

3. Sensitizations sessions:

- Various types of disabilities
- Women's rights in the workplace and after divorce

4. **Training**
 - ABET for persons with disabilities
 - Drivers Licences for women 35 years - 50 years
 - Accessibility in the Built Industry National seminar
5. **HIV Special Events:**
 - International Candle Light Memorial Day - for all members of community
 - Khomonani Day - adults
 - World Aids Day - children
6. **Other functions for Council**
 - Mayoral Gala Fundraising Event
 - Character Transformation Project
 - Christmas Function for the Elderly
 - Lights Festival

HIV/AIDS

The HIV Sub-Committee consists of three working groups, namely:

- Education and Awareness
- Treatment and Care
- Special Events

The working groups consist of members of the community and officials of the Municipality and meet on a monthly basis in order to plan and implement HIV projects. Each year a strategic session is held whereby members of the community are invited to join these working groups in order to plan the projects for the forthcoming year. All projects are coordinated by the HIV Coordinator.

a. Education and Awareness

Various projects were launched by the Education and Awareness working groups. Programmes include the Door-to-Door Campaigns, whereby fieldworkers visit the community in the privacy of their homes in order to give information regarding HIV/AIDS. The members of the public undergo voluntary counselling and testing at non-medical sites.

Condoms and brochures were distributed in different areas and organisations. VCT and various information sessions were held at different areas and organisations. From May 2009 up to October 2009, 86 450 male condoms and 400 female condoms has been already distributed. ± 10 000 people has been reach and 225 VCT has been done.

The PMTCT program was also held in 2 areas in George, Blanco and Pacaltsdorp. The aim of these events was to motivate expecting mothers and mothers with children, to take care of their own health as well as that of their babies and children.

Awareness Campaigns were held in Conville and Parkdene. The seriousness of the HIV/TB pandemic was conveyed very effectively to the learners and community.

Training has been given to 87 people regarding HIV/AIDS to equip the community with the necessary knowledge.

b. Treatment and Care

There are various projects that are functioning under the "Treatment and Care" Working Group. The groups are involved with creative activities such as knitting, needlework, beadwork and fabric painting. There are currently six support groups who have been taught various skills. Three groups are already functioning independently. With this money they, in turn, buy small necessities. The rest of the groups are selling their products within their various communities to generate an income.

Vegetable gardens have been establish at private homes, clinics and crèches in order to assist HIV sufferers with their nutritional needs.

There are one clothing bank in Conville who than distributed the clothing to Lawaai kamp and Thembaletu. The clothing banks are dependant on donations from the public.

The ARV Care Programme makes provision for the issuing of coupons for food parcels to HIV positive persons who are awaiting grants. 120 Food parcels have already been provided to HIV positive persons.

c. Special Events

Each year, International Candle Light Memorial Day, Khomanani Day and World Aids Day are celebrated in order to promote HIV Awareness and to remember those who are infected and affected by HIV and AIDS.

IDP/PMS Unit:

The IDP Process

The Municipality adopted its second Reviewed Integrated Development Plan (IDP) for the 2009/10 financial year on 27 May 2009. The Plan is a documented result of a planning process that started in August 2008 and reflects the key development priorities of the Municipality over a five year period. The planning process was strategic in nature and involved determining Key Performance Areas, Targets, Identification of projects and Costing of activities.

During the process the Municipality developed Ward Profiles for each of the 20 Wards. These profiles serve as basis for future planning and identification of projects. The Municipality also ensured proper alignment between the IDP and the Service Delivery Budget Implementation Plans (SDBIP's). This resulted in funded projects and activities, in the IDP, making it an implemental document that is measurable.

Despite the national and provincial elections, the Municipality held its annual Budget/IDP Road Show during April and May 2009. All communities again had the opportunity to provide comments on the draft IDP and Budget. These comments were processed and the final document tabled before Council on the said date.

The adopted IDP document was send to the Minister for Local Government and Housing for formal assessment. The Municipality is still awaiting the results of this assessment.

The adopted final document was also published on the official web site of the Municipality and is one of the most visited documents on the site.

Organisational Performance Management System

The Municipality developed an Organisational Performance Management Framework. This framework was adopted by Council in December 2008. This paved the way for the Municipality to implement the Isolomzi Electronic Reporting System, which is the backbone of the organizational performance management system.

Being the first year of implementation it was decided that each Department would identify a limited number of projects to be included. Each of these projects was broken up into indicators, targets, activities, expenditure etc. This information was captured in the system and reporting started at the end of July.

All the respective project mangers received training on how to use the system and ongoing support is provided by the IDP/PMS Unit.

The system enables the Municipality to keep track of project progress and it provides an overall performance score. Monthly reports are presented to Senior Management, the Audit Committee and quarterly reports to Council.

The intention is to increase the number of projects in the system the next financial, trying to include as much projects as possible.

Legal Services

The position of Manager: Legal Services was vacant for a considerable period during the 2008/09 financial year and was only filled on 1 February 2009.

The Legal Services Section endeavors on an ongoing basis to reduce legal costs by identifying possible problem areas and to act proactively to ensure that litigation is avoided as far as possible.

Legal advice is given on an ongoing basis to Council, the Mayoral Committee, Section 80 Committees and officials to enable them to fulfill their functions efficiently.

An application to the Department of Justice to establish a Municipal Court in George is currently being considered. It is envisaged that a Municipal Court will alleviate the backlog in municipal cases which is currently experienced. For this reason an updated Municipal Code (Code of By-laws) as prescribed in Section 15 of the Municipal Systems Act is also receiving attention to enable the Law Enforcement Section to function more efficiently.

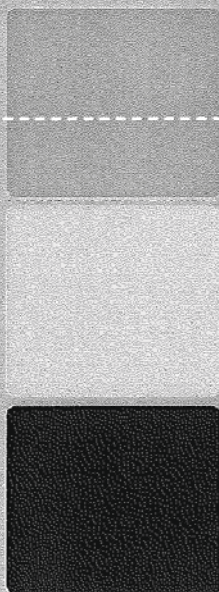
TOURISM

In its efforts to market George as a preferred tourism destination of choice and the ideal base from which to explore the Garden Route and Klein Karoo, the George Wilderness Tourism Organisation attended the ITB Tourism Show in Berlin, Germany, the Indaba Tourism Show in Durban, the Getaway Tourism Show in Randburg, Gauteng and the Outdoor Tourism Show in Franschhoek. These shows were done in conjunction with Eden District Municipality and the other tourism offices in the Garden Route and Klein Karoo. Appropriate marketing material was designed and produced for the overseas market. Several advertisements and articles were placed in selected newspapers and magazines. Assistance was given to the organisers of a Kenyan Supporters tour to the IRB 7's Tournament held in George. The number of overseas visitors to the offices increased markedly. The office made valuable inputs being a member of the Outeniqua Choo-Tjoe Steering Committee which had to decide on the future of this tourism icon.

The organisation was awarded a "Silver Arrow Award" by Professional Management Review. Africa, for "companies doing most in their business sector over the past 12 months to stimulate economic growth and development in the Southern Cape in the Tourism Sector

annual report 2008 / 2009

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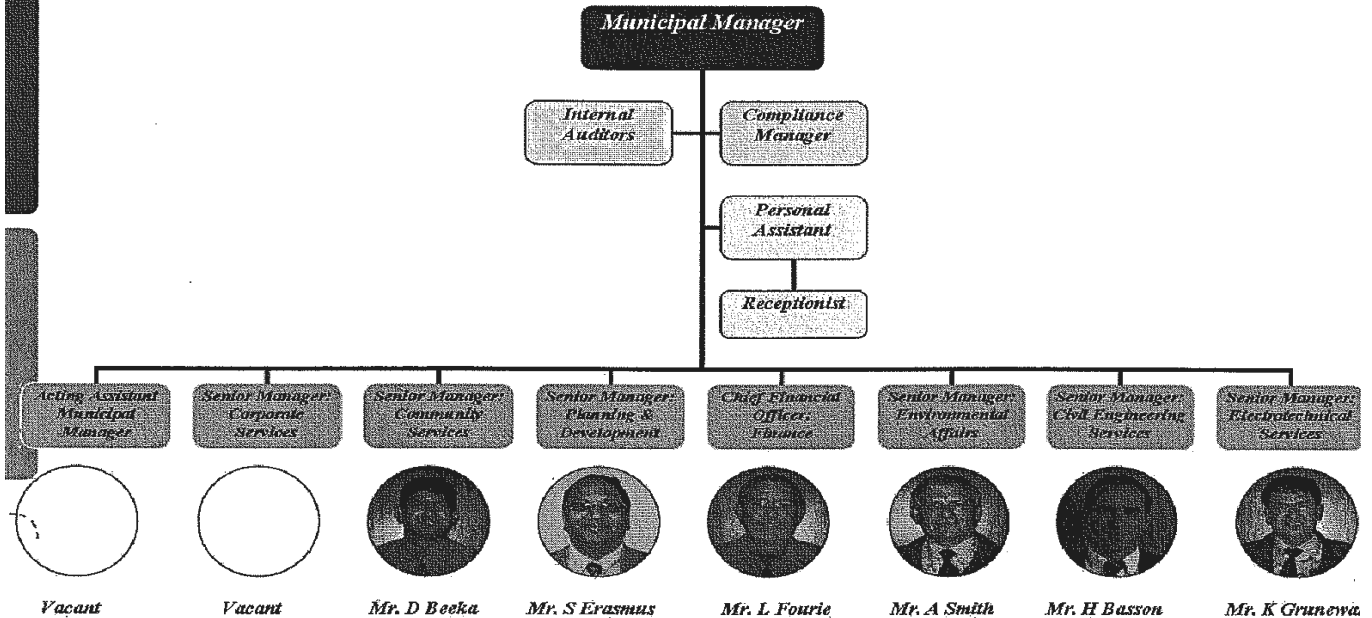
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INTRODUCTION

After more than two years without a Municipal Manager, Mr Cecil Africa took up office on 1 August 2006. With a view to optimally utilizing the resources at his disposal to enhance effective service delivery, he initiated a full scale restructuring exercise of the macro organizational structure.



Mr. C. Africa



Deputy to Municipal Manager:

- o IDP/Performance Management
- o Participation & Communication
- o Intergovernmental Relations
- o International Relations
- o Councillor Support
- o Legal Services
- o Economic Development
- o LED
- o Tourism

Senior Manager: Financial Services (cFO)

Mr I H Fourie

- o Income/Revenue
- o Expenditure
- o Budget Office
- o Financial Statements
- o Supply Chain Management
- o Investments
- o Asset Management & Control
- o Valuations
- o Insurance

Senior Manager: corporate Services

Adv S Iourens

- o Customer Care
- o Human Resources
- o Information Technology
- o Administration
- o Registry/Records
- o Committee Services
- o Libraries

Senior Manager: environmental Affairs

Mr A J Smith

- o Cleansing
- o Parks & Recreation
- o Cemeteries
- o Public Open Spaces
- o Swimming Pools
- o Beaches
- o Sports
- o Grounds
- o Caravan Parks
- o Corporate Facilities
- o Maintenance

Senior Manager: Civil Engineering Services

Mr H L Basson

- o Roads & Stormwater
- o Water
- o Sanitation/Sewerage
- o Transport
- o Planning/Traffic
- o Engineering
- o Mechanical Workshop

Senior Manager: electrotechnical Services

Mr K Grunewald

- o RED
- o Interaction o Distribution
- o Street Lighting
- o Client Services Systems o Operations/Maintenance
- o Infrastructure Development
- o Electrical Workshop
- o Traffic Lights
- o Fleet Management
- o Vehicle Maintenance

Senior Manager: Planning & Housing

Mr S erasmus

- o Town Planning
- o Development
- o Control
- o Spatial Planning
- o Property/Land Use
- o Management
- o Environmental Impact Studies
- o Building Control
- o Housing
- o Integrated Human Settlements

Senior Manager: community Safety

Mr D Beeka

- o Disaster Management
- o Fire Fighting Services
- o Traffic Services
- o Law Enforcement
- o Security Services

DEMOGRAPHICAL PROFILE PER OCCUPATIONAL LEVELS AS AT 30 JUNE 2008

	AFRICAN			COLOURED			WHITE			INDIAN			
POST LEVEL	MALE	FEMALE	TOT	MALE	FEMALE	TOT	MALE	FEMALE	TOT	MALE	FEMALE	TOT	TOTAL
TOP MANAGEMENT													
Municipal Manager & Senior Manager	0	0	0	3	0	3	4	0	4	0	0	0	7
SENIOR MANAGEMENT													
Post level 19 – 21	0	0	0	6	0	6	1	1	2	0	0	0	8
MIDDLE MANAGEMENT													
Post level 14 – 18	2	0	2	15	2	17	18	25	33	1	0	1	53
SKILLED													
Post level 9 – 13	19	13	32	78	36	114	34	17	51	1	0	1	198
SEMI-SKILLED													
Post level 4-8	101	38	139	144	109	253	27	27	54	1	2	3	449
UNSKILLED													
Post level 1-3	92	29	121	107	53	160	2	0	2	0	0	0	283
TOTAL	214	80	294	353	200	553	86	70	146	3	2	4	998

APPOINTMENTS AND PROMOTIONS 1 July 2009 to 30 June 2009

	AFRICAN			COLOURED			WHITE			INDIAN			
POST level	MALE	FEMALE	TOT	MALE	FEMALE	TOT	MALE	FEMALE	TOT	MALE	FEMALE	TOT	TOTAL
TOP MANAGEMENT													
Municipal Manager & Senior Managers	0	0	0	0	0	0	0	0	0	0	0	0	0
SENIOR MANAGEMENT													
Post level 1 – 3	0	0	0	0	0	0	0	0	0	0	0	0	0
MIDDLE MANAGEMENT													
Post level 4 – 6	0	0	0	0	0	0	0	0	0	0	0	0	0
SKILLED													
Post level 7 – 12	0	0	0	1	0	1	0	0		0	0	0	1
SEMI-SKILLED													
Post level 13 –16	1	4	5	21	6	27	1	0	1	0	0	0	33
UNSKILLED													
Post level 17 –19	17	0	17	14	8	22	0	0	0	0	0	0	39
TOTAL	18	4	22	35	14	50	1	0	1	0	0	0	73

Skills Development

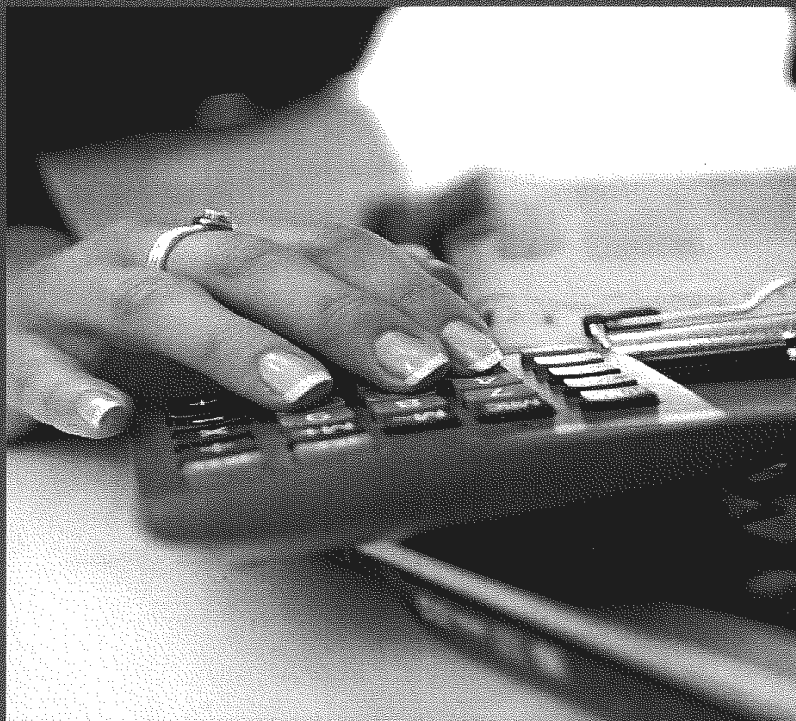
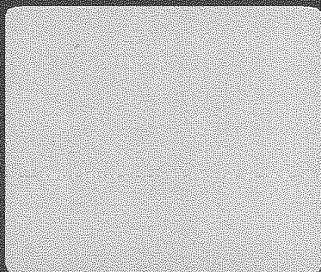
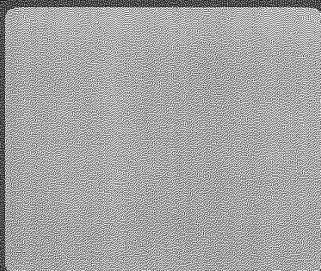
The Workplace Skills Plan was submitted to the LGSETA as required by the Skills Development Act, 97 of 1998. The following Skills Development courses were presented :

Training and Education provided for the period: 1 July 2008 - 30 June 2009

Number	Courses	Amount spend per course / intervention
1.	Foundation Management Development Programme	R 285,000.00
2.	Emerging Management Development Programme	R 210,000.00
3.	Fire Fighter One Training	R 36,708.00
4.	Labour Intensive Construction	R 17,100.00
5.	Cherry Picker	R 12,918.00
6.	HIV/ AIDS Management Programme	R 1,000.00
7.	Effective Minutes for successful meetings	
8.	Modern SHEQ Risk Management	R 28,728.00
9.	K 53 Training	R 14,596.24
10.	Basic Traffic Officer	R 16,055.86
11.	EAP Supervisory Training	R 27,360.00
12.	EAP Supervisory Training	R 27,360.00
13.	Project Management	R 124,500.00
14.	Computer Training	R 57,050.00
13.	Receptionist Training	R 20,520.00
Total		R 878, 896.00
Excluding:		
1. Sustenance & Travelling		
2. Accommodation expenditure		

4]] audited statements and related financial information (financial viability)

30 june 2009



| annual report 2008 / 2009

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2009



**MUNISIPALITEIT
MUNICIPALITY
U-MASIPALA**



George Local Municipality
Annual Financial Statements
for the year ended 30 June 2009

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George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Local Authority
Mayoral committee	
Executive Mayor	Alderman P H de Swardt
Councillors	Bezuidenhout, SJ Botha, TJ Esau, LBC Guga, FS Jantjies, AT Jones, HJ Kamte, NF Kruger, RA Laws, AC Londt, RW Maritz, D Mbuzwana Neethling, C Ntozini, FZ Petrus, B Remas, CM Teyisi, T Thanda, JS Von Brandis, EJ Williams, CT
Proportionally elected councillors	Alberts, JST Bityi, NA Bob, C Cornelius, BM De Swardt, PH Grobler, PJL Harris, WBT Hartman, DH Heyns, BF Komani, PB Leholo, PS Muller, JJ Ncamazana, J Pretorius, J Rabinowitz, ML Van der Hoven, PJ Van Zyl, AJ Witbooi, W
Grading of local authority	Grade 4
Accounting Officer	Africa, CM
Chief Financial Officer (CFO)	Fourie, LH

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

General Information

Registered office

York Street
George

Postal address

P O Box 19
George
6530

Auditor

Auditor General
Chartered Accountant (S.A.)
Registered Auditor

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Statement of Financial Position

	Notes	2009	2008
Assets			
Non-Current Assets			
Property, plant and equipment	5	1,646,055,965	1,420,493,570
Intangible assets	6	1,155,120	3,586,113
Loans and receivables	7	4,272,847	4,766,975
		1,651,483,932	1,428,846,658
Current Assets			
Inventories	8	307,390,616	310,306,132
Trade receivables from exchange and non-exchange transactions	9	60,394,570	48,431,611
Other receivables from exchange transactions	10	24,473,231	20,928,568
VAT	11	-	8,337,699
Loans and receivables	7	899,745	730,758
Cash and cash equivalents	12	192,888,192	276,157,389
		586,046,354	664,892,157
Total Assets		2,237,530,286	2,093,738,815
Liabilities			
Non-Current Liabilities			
Loans and borrowings	13	390,705,814	303,998,420
Employee benefits	14	68,046,696	62,432,228
Deferred revenue (payables from non-exchange transactions)	15	249,908,029	195,778,975
		708,660,539	562,209,623
Current Liabilities			
Loans and borrowings	13	20,361,844	14,500,718
Trade and other payables from exchange transactions	17	64,893,628	44,191,011
VAT	11	1,606,761	-
Consumer deposits	18	10,785,097	9,763,615
Employee benefits	14	11,849,736	12,866,881
Deferred revenue (payables from non-exchange transactions)	15	10,511,226	7,287,639
Provisions	16	3,745,850	-
Unspent conditional grants and receipts	19	18,660,306	28,880,203
		142,414,448	117,490,067
Total Liabilities		851,074,987	679,699,690
Net Assets			
Housing development fund	20	70,684,771	66,404,458
Accumulated surplus	21	1,315,770,528	1,347,634,667
Total Net Assets		1,386,455,299	1,414,039,125
Total Net Assets and Liabilities		2,237,530,286	2,093,738,815

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Capital replacement reserve	Capitalisation reserve	Accumulated surplus	Total for Account	Total net assets
Opening balance as previously reported	61,588,891	91,531,817	95,650,568	276,570,511	463,752,896	525,341,787
Adjustments						
Correction of prior period error - Refer note 38	-	-	-	839,703,813	839,703,813	839,703,813
Balance at 1 July 2007 as restated	61,588,891	91,531,817	95,650,568	1,116,274,324	1,303,456,709	1,365,045,600
Changes in net assets						
Surplus for the year	-	-	-	47,417,002	47,417,002	47,417,002
Transfer to capital replacement reserve	-	46,829,349	-	(45,252,826)	1,576,523	1,576,523
Transfer to housing development fund	4,815,567	-	-	(4,815,567)	(4,815,567)	-
Property, plant and equipment purchased	-	(103,692,111)	-	103,692,111	-	-
Offsetting of depreciation	-	-	(9,948,450)	9,948,450	-	-
Total changes	4,815,567	(56,862,762)	(9,948,450)	110,989,170	44,177,958	48,993,525
Balance at 1 July 2008	66,404,458	34,669,055	85,702,118	1,227,263,494	1,347,634,667	1,414,039,125
Changes in net assets						
Deficit for the year	-	-	-	(27,583,826)	(27,583,826)	(27,583,826)
Transfer to housing development fund	4,280,313	-	-	(4,280,313)	(4,280,313)	-
Transfer to capital replacement reserve	-	61,541,436	-	(61,541,436)	-	-
Property, plant and equipment purchased	-	(89,380,876)	-	89,380,876	-	-
Offsetting of depreciation	-	-	(12,770,681)	12,770,681	-	-
Total changes	4,280,313	(27,839,440)	(12,770,681)	8,745,982	(31,864,139)	(27,583,826)
Balance at 30 June 2009	70,684,771	6,829,615	72,931,437	1,236,009,476	1,315,770,528	1,386,455,299
Notes	20	21	21	21	21	

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Cash Flow Statement

	Notes	2009	2008
Cash flows from operating activities			
Cash receipts from ratepayers, government and others		601,913,230	517,098,006
Cash paid to suppliers and employees		(554,039,536)	(446,946,080)
Cash generated from operations	40	47,873,694	70,151,926
Finance income		34,783,720	41,331,817
Finance costs		(36,066,167)	(27,337,690)
Net cash from operating activities		46,591,247	84,146,053
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(284,301,026)	(283,133,526)
Proceeds on disposal of property, plant and equipment		1,465,615	445,996
Purchase of intangible assets	6	(1,467,917)	(1,958,551)
Decrease in investments		-	18,079,518
Decrease in loans and receivables		4,521,728	5,109,570
Net cash from investing activities		(279,781,600)	(261,456,993)
Cash flows from financing activities			
Proceeds from loans and borrowings		107,443,000	92,722,000
Repayment of loans and borrowings		(14,874,485)	(10,752,367)
Increase in deferred revenue		57,352,641	69,774,774
Net cash from financing activities		149,921,156	151,744,407
Decrease in cash and cash equivalents		(83,269,197)	(25,566,533)
Cash and cash equivalents at the beginning of the year		276,157,389	301,723,922
Cash and cash equivalents at the end of the year		192,888,192	276,157,389

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

Basis of preparation

1 Statement of compliance

The financial statements have been prepared in accordance with General Recognised Accounting Standards (GRAP) adopted by the Accounting Standards Board (ASB).

2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as noted in the accounting policies below.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except that the municipality did not apply the component approach in respect of infrastructure assets retrospectively as it was deemed to be impracticable. The Municipality adopted 17 new standards of GRAP in the current year, as approved by the Minister of Finance on 9 May 2008 per Government Gazette 31021. The GRAP standards are:

No.	Reference	Topic
1	GRAP Framework	Framework for the preparation and presentation of financial statements
2	GRAP 1	Presentation of Financial Statements
3	GRAP 2	Cash Flow Statements
4	GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
5	GRAP 4	The Effects of Changes in Foreign Exchange Rates
6	GRAP 5	Borrowing Costs
7	GRAP 6	Consolidated and Separate Financial Statements
8	GRAP 7	Investments in Associates
9	GRAP 8	Interests in Joint Ventures
10	GRAP 9	Revenue
11	GRAP 10	Hyperinflationary Economies
12	GRAP 11	Construction Contracts
13	GRAP 12	Inventories
14	GRAP 13	Leases
15	GRAP 14	Events after the reporting date
16	GRAP 16	Investment Property
17	GRAP 17	Property, Plant and Equipment
18	GRAP 19	Provisions, contingent liabilities and contingent assets
19	GRAP 100	Non-current assets held for sale and discontinued operations
20	GRAP 101	Agriculture
21	GRAP 102	Intangible assets
22	IFRS 7	Financial instruments: Disclosure
23	IAS 19	Employee benefits
24	IAS 32	Financial instruments: Presentation
25	IAS 39	Financial instruments: Recognition and measurement
26	IPSAS 20	Related party disclosure
27	GAMAP 9.29 - .35 & .39-.54	Revenue
28	IGRAP 1**	Applying the probability test on initial recognition of exchange revenue
29	IFRIC 4	Determining whether an arrangement contains a lease
30	Directive 1	Repeal of existing transitional provision in, and consequential amendments to, standards of GRAP
31	Directive 2	Transitional provisions for the adoption of standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
32	Directive 3	Transitional provisions for the adoption of standards of GRAP by High capacity municipalities
33	Directive 5	Determining the GRAP reporting framework
34	ASB guide 1	Guideline of Accounting for Public Private Partnerships

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of GRAP that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 41.

2.1 GRAP 16 – Investment Property

Investment property is defined as property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost and is depreciated on a straight-line basis over its useful life.

The application of the standard resulted in a reclassification of amounts previously recognised as property, plant and equipment.

2.2 GRAP 17 – Property, plant and equipment

GRAP 17 clarifies that an entity should consider an item of property, plant and equipment as a combination of various components with separate useful lives or consumption patterns. These separate components are used to calculate depreciation, test for derecognition and for the treatment of expenditure to replace or renew a component of that item of property, plant and equipment. It further confirms that the cost of an item of property, plant and equipment should include not only the initial estimate of the costs relating to dismantlement, removal or restoration of the property at the time of installing the item, but also during the period of use for purposes other than producing inventory. The residual value, useful life and depreciation method of an asset must be reviewed annually. Residual value should not include expected future inflation. There is no cessation of depreciation when assets are idle.

The application of the new standard had a limited impact on the results of the current year as the remaining useful lives of infrastructure assets were adjusted as a result of the application of the components approach. Management was of the view that it was impracticable to apply the component approach retrospectively. Management can therefore not quantify the financial impact of not applying the components approach retrospectively.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

2.3 Standards not yet effective

The following Standards have been issued, but are not yet effective:

Standard No.	Standard title	Effective date	Anticipated impact on financial statements
GRAP 18	Segment Reporting	Unknown	Disclosure only
GRAP 21	Impairment of non-cash generating assets	Unknown	No material impact. Requirements of GRAP 21 are similar to the requirements of IAS 36 (Impairment of assets) and IPSA 21 (Impairment of non-cash generating assets), applied by the municipality during the 2008/09 financial year.
GRAP 23	Revenue from non-exchange transactions	Unknown	No impact anticipated
GRAP 24	Presentation of budget information in financial statements	Unknown	Disclosure only
GRAP 26	Impairment of cash generating assets	Unknown	No impact as the requirements of GRAP 26 are similar to the requirements of IAS 36 (Impairment of assets) applied by the municipality during the 2008/09 financial year
GRAP 103	Heritage assets	Unknown	No impact

All these Standards will be applied by the municipality from the effective date to be determined by the Minister of Finance.

2.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

2.5 Functional and presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

2.6 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

3 Significant Accounting Policies

3.1 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, Act No. 107 of 1997. Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality. These loans were extinguished on 1 April 1998 and were transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the utilisation of the Housing Development Fund:

- The fund is utilised for housing developments in accordance with the national housing policy and also for housing development projects approved by the MEC for housing.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.

3.2 Accumulated surplus

The following reserves have been included in the accumulated surplus of the municipality:

3.2.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred, for internal record keeping purposes, from the net surplus of the year or the accumulated surplus to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) is credited by a corresponding amount when the amounts in the CRR are utilised. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan, subject to affordability in the budget process.

Interest earned on the CRR investment is recorded as interest earned in the Statement of Financial Performance where after such interest may be transferred from the Accumulated Surplus to the CRR.

Profit made from the disposal of property, plant and equipment is recorded in the Statement of Financial Performance, where after such profit may be transferred from the Accumulated Surplus to the CRR.

The CRR may only be utilised for the purpose of purchasing / construction of items of property, plant and equipment and may not be used for the maintenance of these items.

3.2.2 Capitalisation Reserve

On the implementation of GAMAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

3.3 Property, plant and equipment

3.3.1 Recognition and measurement

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Items of property, plant and equipment acquired at no or nominal consideration are initially recognised at fair value and are subsequently carried at the initially determined fair value less accumulated depreciation and impairment losses. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs incurred in the acquisition, establishment and installation of such assets so as to bring them to a working condition for their intended use.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalised.

The cost of the day-to-day servicing of property, plant and equipment are recognised in surplus or deficit as incurred.

3.3.2 Leased assets

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Vehicles and office equipment acquired by way of finance lease are measured upon initial recognition at an amount equal to the lower of its fair value and the present value of the minimum lease payments less accumulated depreciation and impairment losses. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

3.3.3 Subsequent costs

Subsequent expenditure relating to items of property, plant and equipment are capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment.

3.3.4 Depreciation

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

3.3 Property, plant and equipment (continued)

The estimated useful lives are as follows:

Item	Average useful life
Infrastructure assets	
• Electricity	20 - 30 years
• Roads	10 - 30 years
• Water	15 - 20 years
• Gas	20 years
• Sewerage	15 - 20 years
• Pedestrian malls	20 years
• Airports	20 years
• Security measures	3 - 5 years
Community assets	
• Buildings	20 - 30 years
• Recreational facilities	20 years
Other assets	
• Office equipment	3 - 7 years
• Furniture and fittings	7 - 10 years
• Bins and containers	5 - 10 years
• Emergency equipment	5 - 15 years
• Motor vehicles	3 - 20 years
• Aircraft	15 years
• Watercraft	15 years
• Plant and equipment	2 - 15 years
Other - general	
• Animals - pound	5 years
Heritage assets	
• Buildings	Not applicable
Land and buildings	
• Land	Not applicable
• Buildings	30 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Leased assets

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the lease term.

Land

Land is not depreciated.

Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.

Heritage Assets

Heritage assets which are shown at cost, are not depreciated because of the uncertainty around their estimated useful lives.

Landfill Sites

Rehabilitation costs capitalised to the cost of landfill sites, are written off on a straight-line basis over the estimated useful lives of the sites.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

3.3 Property, plant and equipment (continued)

3.3.5 Derecognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits or service potential are expected from its continued use or disposal. The book values of assets are written off on disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Financial Performance in the year the asset is derecognised.

3.4 Intangible assets

Identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Intangible assets acquired separately or internally generated (i.e. development phase assets) are reported at cost less accumulated amortisation and accumulated impairment losses.

3.4.1 Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in surplus or deficit when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the municipality intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognised in surplus or deficit as incurred. Other development expenditure is recognised in surplus or deficit as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

3.4.2 Subsequent costs

After the initial measurement of intangible assets, subsequent expenditure is only capitalised if future economic benefits or service potential over the total life of the intangible assets, in excess of the most recently assessed standard of performance of the existing intangible assets, will flow to the Municipality.

Amortisation is charged on a straight-line basis over their useful lives, which is estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

Amortisation methods and useful lives are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

3.5 Investment property

Investment property is land and/ or buildings held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at historical cost less accumulated depreciation and impairment losses. Investment property acquired at no or nominal consideration is initially recognised at fair value and is subsequently carried at the initially determined fair value less accumulated depreciation and impairment losses.

The fair value of investment property is determined at the reporting date based on the latest general valuation roll.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

3.6 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

3.6.1 Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Listed investments (Shares)
- Investments in fixed deposits (Banking institutions, etc)
- Loans and receivables
- Trade and other receivables from exchange transactions
- Other receivables from non-exchange transactions
- Short-term investment deposits
- Cash and cash equivalents

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Type of financial asset

Listed investments
Short-term investment deposits - Call
Cash and cash equivalents
Finance lease receivables
Loans and receivables
Trade and other receivables from exchange transactions
Other receivables from non-exchange transactions
Investments in fixed deposits
Short-term investment deposits

Classification in terms of IAS 39.09

Held at fair value through surplus or deficit
Held to maturity
Loans and receivables
Loans and receivables
Loans and receivables
Loans and receivables
Loans and receivables
Held to maturity
Held to maturity

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit are financial assets that meet either of the following conditions:

- They are classified as held for trading; or
- Upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Investments are measured initially and subsequently at fair value with gains and losses arising from changes in fair value being included in surplus or deficit for the period. Transaction costs are recognised in surplus or deficit.

Available for sale investments

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and receivables;
- Held-to-maturity investments; or
- Financial assets at fair value through surplus or deficit

Available for sale investments are initially measured at fair value plus direct transaction costs. Subsequent to initial recognition, available for sale investments are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

3.6 Financial instruments (continued)

Loans and receivables

Loans and receivables are financial assets that are created by providing money, goods or services directly to a customer. Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost, using the effective interest method less an allowance for impairment.

Held to maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity. Held-to-maturity investments are initially measured at fair value plus direct transaction costs. At subsequent reporting dates, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

3.6.2 Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Loans and borrowings
- Trade and other payables from exchange transactions
- Bank Overdraft
- Short-term loans
- Current Portion of Loans and borrowings
- Consumer Deposits

There are two main categories of Financial Liabilities, the classification based on how they are measured. Financial liabilities may be measured at:

- Fair value through surplus or deficit; or
- Amortised cost

Financial liabilities that are measured at fair value through surplus or deficit are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through surplus or deficit are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities should be classified as financial liabilities that are not measured at fair value through surplus or deficit are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3.6.3 Derecognition of financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.6.4 Derecognition of financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

3.7 Inventories

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

Redundant and slow-moving inventories are identified and impaired to net realisable value with regard to their estimated economic or realisable values and sold by public auction.

Water and purified effluent are valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

3.8 Impairment

3.8.1 Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets. If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39. The impairment amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that have similar credit risk characteristics. The impairment estimate of Trade Receivables is made based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable.

Trade Receivables are measured at cost less impairment. The impairment is calculated based on the recoverability of customers and is assessed collectively after grouping the assets in financial assets with similar credit risks characteristics. Government accounts are not impaired as such accounts are regarded as recoverable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available-for-Sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity

3.8.2 Non-financial assets

The carrying amounts of the Municipality's non-financial assets, other than investment property and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated annually.

George Local Municipality

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Accounting Policies

3.8 Impairment (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in surplus or deficit. Impairment losses recognised in respect of cash-generating units are allocated on a pro rata basis to reduce the carrying amounts of the other assets in the unit (group of units). The allocation of impairment losses to assets in a cash generating unit may not reduce the carrying amount of such assets below its fair value.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8.3 Non-cash generating assets

Non-cash generating assets are impaired where there is objective evidence of impairment. A non-cash generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. The recoverable service amount is the greater of an asset's fair value less costs to sell and its value in use.

The value in use is determined by using the depreciated replacement cost model. The current replacement cost is the cost to replace the asset's gross service potential. The current replacement cost is depreciated, from the original commissioning date to date of determining value in use, to reflect the asset in its used condition. This represents the depreciated replacement cost of the non-cash generating asset.

3.9 Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Municipality's accounting policies for the individual assets. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, employee benefit assets and investment property, which continue to be measured in accordance with the Municipality's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in surplus or deficit. Gains are not recognised in excess of any cumulative impairment loss.

Accounting Policies

3.10 Revenue

Revenue includes rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise. Revenue from the sale of goods in the ordinary course of the Municipality's activities is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts. Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

3.10.1 Revenue from exchange transactions

Service Charges

Service charges relating to distribution of electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale.

Interest earned and rentals received

Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Rental income is recognised on a straight line basis over the lease term. Interest may be transferred from the Accumulated Surplus to the Housing Development Fund.

Interest earned on unutilised conditional grants is not recognised in the Statement of Financial Performance. It is allocated directly to the liability: Unspent Conditional Grants, if the grant conditions indicate that interest is payable to the grantor.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

3.10.2 Revenue from exchange transactions (continued)

Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Agency Commission

Commission for agency services is recognised on a monthly basis once the income collected on behalf of principals has been quantified. The income recognised is in terms of the agency agreement.

Housing Rental and Instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

3.10.3 Revenue from non-exchange transactions

Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised using the effective interest method. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines that will be received based on past experience of amounts collected. There is uncertainty regarding recoverability of outstanding fines and summonses. Spot fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. It is therefore not possible to measure this revenue when the summons is issued.

Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the property, plant and equipment received or receivable. Contributed property, plant and equipment is recognised when the risks or rewards of ownership have transferred to the municipality.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Unconditional grant

An unconditional grant is recognised in surplus or deficit when the grant becomes receivable.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

3.10.3 Revenue from non-exchange transactions (continued)

Conditional grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the grantor it is recorded as part of the liability and if not it is recognised as interest earned in the Statement of Financial Performance.

Grants that compensate the municipality for expenses incurred are recognised in surplus or deficit on a systematic basis in the same periods in which the expenses are recognised.

Grants and receipts of a revenue nature

Income is transferred to the Statement of Financial Performance as revenue to the extent that the criteria, conditions or obligations have been met. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Grants and receipts of a capital nature

Income from Government Grants whose primary condition is that the municipality should purchase, construct or otherwise acquire non-current assets are recognised as deferred income under non-current liabilities in the Statement of Financial Position to the extent that the criteria, conditions or obligations have been met and is credited to the Statement of Financial Performance on a straight-line basis over the expected useful lives of the related asset.

3.11 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

3.12 Employee benefits

3.12.1 Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay and bonuses, are recognised during the period in which the employee renders the related service. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

George Local Municipality

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Accounting Policies

3.12 Employee benefits (continued)

3.12.2 Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 14.6 of the Annual Financial Statements for details) and are accounted for as defined contribution plans. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined contribution funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

3.12.3 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It defines an amount of benefit that an employee will receive on retirement. The Municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets are deducted.

Own-administered Defined Benefit Plans

The defined benefit obligation, the related current cost and where applicable, past-service cost, is determined by using the Projected Unit Credit Method. A portion of the actuarial gains and losses is recognised as revenue or expense, provided the net cumulative actuarial gains and losses at the end of the previous reporting period exceed the greater of:

- 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and
- 10% of the fair value.

The portion of the actuarial gains and losses to be recognised is equal to the excess calculated, using the above limits and divided by the expected average remaining working lives of employees participating in the plan. Unvested past-service cost is recognised as an expense on the straight-line basis over the average period until the benefits become vested, while vested past-service costs are recognised as an expense in the Statement of Financial Performance.

Medical Aid: Continued Members

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of all of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of services within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries at year end and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries, are charged against the Statement of Financial Performance.

Accounting Policies

3.13 Leases

3.13.1 The Municipality as lessee

Finance leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of the assets are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as finance lease obligations. The cost of the item of property, plant and equipment is depreciated on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases

Operating leases are those leases that do not fall within the scope of the above definition. Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.13.2 The Municipality as lessor

Operating leases

Payments received under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease.

3.14 Borrowing costs

Borrowing costs are capitalised in respect of qualifying assets that necessarily takes a substantial period to get ready for its intended use. If the cost of assets, where borrowing costs have been capitalised, exceeds the estimated recoverable amount then an impairment loss is recognised for such an excess.

Borrowing costs that are not capitalised are recognised as an expense in the Statement of Financial Performance.

3.15 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

3.16 Value Added Tax

The Municipality accounts for Value Added Tax on the cash basis. The Municipality is liable to account for Value Added Tax at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act, in respect of the supply of goods or services except where the Supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The timing of payments to/from The South African Revenue Service is the last day of each of the twelve months of the financial year.

3.17 Cash and cash equivalents

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

George Local Municipality

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Accounting Policies

3.18 Foreign currencies

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

3.19 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have not in all cases been applied retrospectively as is required by GRAP 3. The transitional provisions on the adoption of the new GRAP standards have also not in all cases been applied retrospectively.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

3.20 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated as such by the Municipal Manager.

3.21 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

3.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

3.23 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

3.24 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

3.25 Comparative figures

When the presentation or classification of items in the Annual Financial Statements is amended, comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed in Appendix K and Appendix J respectively.

George Local Municipality

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Notes to the Annual Financial Statements

4. General information

George Local Municipality (the municipality) is a local government institution in George, Western Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

5. Property, plant and equipment

	2009			2008		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Owned assets						
Land and buildings	656,164,297	(12,129,254)	644,035,043	609,871,700	-	609,871,700
Infrastructure	968,782,680	(253,715,036)	715,067,644	677,755,976	(212,635,203)	465,120,773
Community assets	141,662,305	(28,898,903)	112,763,402	124,800,971	(24,900,159)	99,900,812
Heritage assets	607,331	-	607,331	607,331	-	607,331
Other	85,310,216	(31,189,149)	54,121,067	114,257,840	(33,637,644)	80,620,196
Work in progress	119,222,991	-	119,222,991	164,003,924	-	164,003,924
Leased assets						
Vehicles and equipment	694,894	(456,407)	238,487	694,894	(326,060)	368,834
Total	1,972,444,714	(326,388,749)	1,646,055,965	1,691,992,636	(271,499,066)	1,420,493,570

Reconciliation of the carrying value of property, plant and equipment - 2009

	Opening Balance	Additions	Disposals	Other Transfers	WIP Transfers	Depreciation	Total
Owned assets							
Land and buildings	609,871,700	66,634	(2,235,895)	37,605,872	411,360	(1,684,628)	644,035,043
Infrastructure	465,120,773	99,915,529	(14,893)	12,445,108	178,684,284	(41,083,157)	715,067,644
Community assets	99,900,812	7,326,062	(9,922)	(1,075,493)	12,194,488	(5,572,545)	112,763,402
Heritage assets	607,331	-	-	-	-	-	607,331
Other	80,620,196	17,839,247	(94,404)	(38,019,660)	1,688,528	(7,912,840)	54,121,067
Work in progress	164,003,924	159,153,554	-	(10,955,827)	(192,978,660)	-	119,222,991
Leased assets							
Vehicles and equipment	368,834	-	-	-	-	(130,347)	238,487
Total	1,420,493,570	284,301,026	(2,355,114)	-	-	(56,383,517)	1,646,055,965

George Local Municipality

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Notes to the Annual Financial Statements

	2009	2008					
<p>5. Property, plant and equipment (continued)</p> <p>Reconciliation of the carrying value of property, plant and equipment - 2008</p>							
	Opening Balance	Additions	Disposals	Other Transfers	WIP Transfers	Depreciation	Total
Owned assets							
Land and buildings	629,666,450	(19,794,750)	-	-	-	-	609,871,700
Infrastructure	356,726,145	252,376,032	-	40,417,187	(155,785,049)	(28,613,542)	465,120,773
Community assets	91,221,124	19,943,873	-	488,080	(7,584,340)	(4,167,925)	99,900,812
Heritage assets	607,331	-	-	-	-	-	607,331
Other	49,787,971	30,608,371	(86,791)	7,284,832	(634,535)	(6,339,652)	80,620,196
Work in progress	104,716,078	-	-	(104,716,078)	164,003,924	-	164,003,924
Leased assets							
Vehicles and equipment	508,010	-	-	(3,752)	-	(135,424)	368,834
	1,233,233,109	283,133,526	(86,791)	(56,529,731)	-	(39,256,543)	1,420,493,570

Refer to Appendices B, C and E(2) for more detail on property, plant and equipment. Refer to Appendix L for details on investment property. These items of land will be transferred to investment property once the sub-division thereof have been registered.

6. Intangible assets

	2009			2008		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	2,154,703	(999,583)	1,155,120	2,391,947	(1,294,502)	1,097,445
Under development						
Directory	-	-	-	2,488,668	-	2,488,668
Total	2,154,703	(999,583)	1,155,120	4,880,615	(1,294,502)	3,586,113

Reconciliation of the carrying value of intangible assets - 2009

	Opening Balance	Additions	Amortisation	Impairment loss	Total
Computer software	1,097,445	895,962	(611,646)	(226,641)	1,155,120
Under development					
Directory	2,488,668	571,955	-	(3,060,623)	-
	3,586,113	1,467,917	(611,646)	(3,287,264)	1,155,120

Reconciliation of the carrying value of intangible assets - 2008

	Opening Balance	Additions	Amortisation	Total
Computer software	1,157,061	415,238	(474,854)	1,097,445
Under development				
Directory	945,355	1,543,313	-	2,488,668
	2,102,416	1,958,551	(474,854)	3,586,113

Refer to Appendix B for more detail on intangible assets.

George Local Municipality

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Notes to the Annual Financial Statements

	2009		2008		
7. Loans and receivables					
As at 30 June 2009	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	8,585,508	(4,972,951)	3,612,557	(312,521)	3,300,036
Sale of erven loans	451,766	-	451,766	(122,132)	329,634
Loans to other organisations	677,103	-	677,103	(33,926)	643,177
Actaris meter costs	431,166	-	431,166	(431,166)	-
	10,145,543	(4,972,951)	5,172,592	(899,745)	4,272,847
As at 30 June 2008	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Staff loans	10,371	-	10,371	(10,371)	-
Housing scheme loans	9,538,822	(5,650,252)	3,888,570	(307,178)	3,581,392
Sale of erven loans	852,545	-	852,545	(379,283)	473,262
Loans to other organisations	746,247	-	746,247	(33,926)	712,321
Actaris meter costs	3,519,286	(3,519,286)	-	-	-
	14,667,271	(9,169,538)	5,497,733	(730,758)	4,766,975

Refer to Appendix H for more detail on loans and receivables.

Housing scheme loans

No housing loans may be granted to officials and the public. The outstanding amount is in respect of loans granted before 1 July 2005 and will be recovered over the remaining period of the loan agreements.

Sale of erven loans

As from 1 July 2006 no loan agreements are entered into for the sale of erven. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.

Loans to other organisations

The outstanding amount is in respect of loans granted to sports organisations (Section 185 (a) Ord.20 of 1974) before 1 July 2005 and will be recovered over the remaining period of the loan agreements.

Actaris meter costs

Arrear amounts on services are capitalised on completion of a formal agreement. These arrear amounts are then paid to the municipality in monthly instalments over a period not exceeding 60 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

The management of the municipality is of the opinion that the carrying value of loans and receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of loans and receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's trade receivables.

George Local Municipality

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Notes to the Annual Financial Statements

	2009	2008		
7. Loans and receivables (continued)				
7.1 Reconciliation of impairment allowance				
	Balance at beginning of the year	Impairment losses reversed	Amounts written off as uncollectable	Balance at end of the year
Housing scheme loans	5,650,252	(677,301)	-	4,972,951
Actaris meter cost	3,519,286	(1,199,584)	(2,319,702)	-
Balance at end of year	9,169,538	(1,876,885)	(2,319,702)	4,972,951

In determining the recoverability of loans and receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believe that there is no further impairment required in excess of the allowance for impairment.

The impairment recognised represents the difference between the carrying amount of these receivables and the present value of the expected liquidation proceeds. The municipality does not hold collateral over these balances.

8. Inventories

Consumable stores - at cost	6,510,503	3,029,936
Maintenance materials, chemicals and water reserves - at cost	2,478,748	8,100,458
Housing Development Fund - Unsold Units	1,392,260	2,166,633
Unsold properties held for sale	297,009,105	297,009,105
	307,390,616	310,306,132

The cost of inventories recognised as an expense includes R14 765 (2008: R125 812) in respect of impairment of inventory to net realisable value (refer to note 31).

9. Trade receivables from exchange and non-exchange transactions

As at 30 June 2009	Gross balance	Impairment allowance	Net balance
Trade receivables from exchange transactions			
Electricity	25,052,977	9,516,582	15,536,395
Housing rentals	463,906	244,074	219,832
Housing loan instalments	1,689,371	694,392	994,979
Other consumer receivables	2,614,883	982,079	1,632,804
Refuse	8,529,031	1,672,095	6,856,936
Sewerage	10,224,883	1,861,300	8,363,583
Water	18,765,049	5,200,944	13,564,105
Trade receivables from non-exchange transactions			
Rates	16,771,340	3,545,404	13,225,936
	84,111,440	23,716,870	60,394,570

As at 30 June 2008	Gross balance	Impairment allowance	Net balance
Trade receivables from exchange transactions			
Electricity	23,725,874	9,516,582	14,209,292
Housing rentals	610,053	244,074	365,979
Housing Loan instalments	1,736,082	694,393	1,041,689
Other consumer receivables	2,455,340	982,079	1,473,261
Refuse	8,758,460	3,509,500	5,248,960
Sewerage	10,328,379	4,140,079	6,188,300
Water	19,800,950	7,937,014	11,863,936
Trade receivables from non-exchange transactions			
Rates	13,115,574	5,260,907	7,854,667
	80,530,712	32,284,628	48,246,084

George Local Municipality

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2009 2008

9. Trade receivables from exchange and non-exchange transactions (continued)

9.1 Ageing of trade receivables

As at 30 June 2009	Assessment Rates	Electricity, Refuse, Sewerage and Water	Housing Rentals	Housing Loan instalments	Other consumer receivables	Total
Current (0 - 30 days)	8,958,451	37,814,402	1,463	24,428	-	46,798,744
31 - 60 days	439,684	1,622,614	31,189	5,923	316,235	2,415,645
61 - 90 days	349,792	1,184,781	14,670	5,800	203,226	1,758,269
91 - 120 days	267,037	1,349,075	14,393	7,345	284,300	1,922,150
121 - 365 days	4,185,528	7,617,409	14,422	23,652	1,071,362	12,912,373
> 365 days	2,570,848	12,983,659	387,769	1,622,223	739,760	18,304,259
Total	16,771,340	62,571,940	463,906	1,689,371	2,614,883	84,111,440

As at 30 June 2008	Assessment Rates	Electricity, Refuse, Sewerage and Water	Housing Rentals	Housing Loan instalments	Other consumer receivables	Total
Current (0 - 30 days)	5,061,475	34,543,538	1,718	242,690	-	39,849,421
31 - 60 days	1,308,944	1,588,927	38,538	78,695	281,648	3,296,752
61 - 90 days	184,716	1,061,191	18,070	50,707	228,698	1,543,382
91 - 120 days	146,661	1,243,806	15,015	109,315	99,302	1,614,099
121 - 365 days	1,932,274	9,473,883	14,767	163,043	105,438	11,689,405
> 365 days	4,481,504	14,702,318	521,946	1,091,631	1,740,254	22,537,653
Total	13,115,574	62,613,663	610,054	1,736,081	2,455,340	80,530,712

9.2 Summary of trade receivables by customer classification

As at 30 June 2009	Consumers	Industrial / Commercial	National and provincial government	Other	Total
Current (0 - 30 days)	34,250,615	4,722,173	-	7,825,956	46,798,744
31 - 60 days	2,081,311	337,587	28,217	(31,470)	2,415,645
61 - 90 days	1,569,246	186,479	2,544	-	1,758,269
91 - 120 days	1,723,646	194,501	4,003	-	1,922,150
121 - 365 days	11,241,129	954,494	716,750	-	12,912,373
> 365 days	16,816,207	1,376,813	111,239	-	18,304,259
Subtotal	67,682,154	7,772,047	862,753	7,794,486	84,111,440
Less: Impairment Allowance	(23,041,041)	(675,829)	-	-	(23,716,870)
Total	44,641,113	7,096,218	862,753	7,794,486	60,394,570

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
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9. Trade receivables from exchange and non-exchange transactions (continued)

As at 30 June 2008	Consumers	Industrial / Commercial	National and provincial government	Other	Total
Current (0 - 30 days)	12,645,588	10,509,452	234,124	16,460,257	39,849,421
31 - 60 days	2,632,652	394,768	5,345	263,987	3,296,752
61 - 90 days	1,340,628	190,916	11,838	-	1,543,382
91 - 120 days	1,144,389	121,070	3,557	345,083	1,614,099
121 - 365 days	10,577,939	1,203,943	67,390	(159,867)	11,689,405
> 365 days	24,385,849	626,794	63,422	(2,538,412)	22,537,653
Subtotal	52,727,045	13,046,943	385,676	14,371,048	80,530,712
Less: Impairment Allowance	(29,680,458)	(2,604,170)	-	-	(32,284,628)
Total	23,046,587	10,442,773	385,676	14,371,048	48,246,084

9.3 Reconciliation of impairment allowance

	Balance at beginning of the year	Impairment losses recognised	Amounts written off as uncollectable	Balance at end of the year
<i>Exchange transactions</i>				
Electricity	9,516,582	-	-	9,516,582
Housing rentals	244,074	-	-	244,074
Housing loan instalments	694,392	-	-	694,392
Other consumer receivables	982,079	-	-	982,079
Refuse	4,140,079	345,546	(2,813,530)	1,672,095
Sewerage	3,509,500	230,767	(1,878,967)	1,861,300
Water	7,937,014	383,081	(3,119,151)	5,200,944
<i>Non-exchange transactions</i>				
Rates	5,260,908	240,190	(1,955,694)	3,545,404
	32,284,628	1,199,584	(9,767,342)	23,716,870

Fair value of consumer debtors

The average credit period for customers is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of amounts due.

Before accepting any new consumer, the municipality uses an external credit system to assess the potential consumer's credit quality and defines credit limit by consumer. Limits and scoring attributed to consumers are reviewed twice a year. 80% of the Trade Receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the municipality. There are no consumers who represent more than 5% of the total balance of Trade Receivables.

The management of the municipality is of the opinion that the carrying value of Trade Receivables approximate their fair values. The fair value of Trade Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and consumer debtors as well as the current payment ratio's of the municipality and customers.

George Local Municipality

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Notes to the Annual Financial Statements

	2009	2008
10. Other receivables from exchange transactions		
Sundry receivables	23,245,297	22,040,479
Salary control accounts	907,488	516,950
Deposits	20,000	20,000
Short-term Loans	21,370	29,690
Non-collected portion of Housing Development Fund	1,960,381	1,741,006
	<u>26,154,536</u>	<u>24,348,125</u>
Less: Impairment allowance	(1,681,305)	(3,419,557)
	24,473,231	20,928,568

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

The average credit period for Other Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Other Receivables.

Fair value of other receivables

The management of the municipality is of the opinion that the carrying value of Other Receivables approximate their fair values. The fair value of Other Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National/Provincial Departments as well as other customers. The current payment ratio's of Other Receivables were also taken into account for fair value determination.

Reconciliation of impairment allowance

	Balance at beginning of the year	Impairment losses recognised	Amounts written off as uncollectable	Balance at end of the year
Sundry receivables	3,419,557	-	(1,738,252)	1,681,305

The impairment allowance was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios. The impairment allowance on Other Receivables exists predominantly due to the possibility that these debts will not be recovered. Other Receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

11. VAT

VAT receivable	-	8,337,699
VAT payable	(1,606,761)	-
VAT (payable) / (receivable)	(1,606,761)	8,337,699

VAT is payable to SARS on the receipts basis. Only once payment is received from customers, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

George Local Municipality

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Notes to the Annual Financial Statements

	2009	2008
12. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	17,340	12,440
Bank balances	37,938,471	33,462,568
Short-term investments	154,932,381	242,682,381
	192,888,192	276,157,389

For the purposes of the cash flow statement, cash and cash equivalents include the above mentioned items, net of outstanding bank overdrafts.

Allocation of cash and cash equivalents

Attributable to External Financing Fund	14,537,564	34,008,438
Attributable to Capital Replacement Reserve as set out in net assets	6,829,615	34,669,055
Attributable to Unspent Conditional Grants Capital as set out in note 19.	9,577,277	8,285,453
Attributable to Housing Development Fund as set out in note 20.	58,746,622	52,957,997
Repayment of loans and borrowings as set out in note 13.	7,375,864	8,078,147
Attributable to trade receivables as set out in note 18.	10,785,097	9,763,615
Attributable to unspent conditional grants other as set out in note 19.	9,083,029	20,095,429
Available for operational account	75,953,124	108,299,255
	192,888,192	276,157,389

Interest on overdrawn current accounts are charged at the banker's prime rate plus one percent per annum. Interest is earned at different rates per annum on favourable balances.

The management of the municipality is of the opinion that the carrying value of cash and cash equivalents recorded at amortised cost in the annual financial statements approximate their fair values.

The fair value of cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

13. Loans and borrowings

Annuity loans	403,647,718	310,142,210
Other Loans	7,375,864	8,078,147
Finance lease liabilities	44,076	278,781
Total loans and borrowings	411,067,658	318,499,138
Less: current portion transferred to current liabilities	20,361,844	14,500,718
Annuity Loans	19,522,488	13,435,556
Finance lease liabilities	40,131	234,124
Other Loans	799,225	831,038
Non-current total loans and borrowings	390,705,814	303,998,420

13.1 Summay of arrangements

Annuity loans

Annuity loans are repaid over periods varying from 6 years to 20 years (2008: 10 years to 20 years) and at interest rates varying from 6,75% to 11,90% (2008: 9,00% to 11,21%) per annum. Annuity loans are not secured.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
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13. Loans and borrowings (continued)

Other loans

Other loans are repaid over periods varying from 4 years to 11 years (2008: 10 years to 20 years) and at interest rates varying from 7.58% to 12,00% per annum (2008: 11,60% to 15,60%). Other loans are not secured.

Finance lease liabilities

Finance lease liabilities relates to vehicles and IT equipment with lease terms of 5 years (2008: 5 years). The effective interest rate on finance leases are between 8,35% and 15,5%(2008: 8,35% to 15,5%). The municipality has options to purchase the property, plant and equipment for a nominal amount at the conclusion of the lease agreements. The municipality's obligations under finance leases are secured by the lessors' title to the leased assets.

The management of the municipality is of the opinion that the carrying value of loans and borrowings recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of loans and borrowings was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix A for more detail on loans and borrowings.

13.2 Obligations under Finance Leases

The Municipality as Lessee

Non-cancellable operating lease rentals are payable as follows:

Minimum lease payments

Less than one year	45,605	260,009
Between one and five years	4,004	48,128
More than five years	-	-
Total minimum lease payment	49,609	308,137

The municipality has the following significant leases:

- (i) Computer equipment R 15,873
 - Instalments are payable quarterly in advance
 - Period outstanding 2 months
 - Average effective interest rate 10.97%
 - Average quarterly instalment R 4,815.62
- (ii) Vehicles R 28,203
 - Instalments are payable monthly in arrears
 - Period outstanding 16 months
 - Effective interest rate, based on prime 12.00%
 - Monthly instalment R 2,195.20

14. Employee benefits

14.1 Post-employment benefits

Post-retirement medical aid benefits liability - note 14.3	61,550,332	56,532,588
Ex-gratia pension benefits liability - note 14.4	329,828	505,635
Long service awards - note 14.5	6,166,536	5,394,005
	68,046,696	62,432,228

George Local Municipality

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Notes to the Annual Financial Statements

	2009	2008
14. Employee benefits (continued)		
14.2 Short term employee benefits		
Staff leave	10,932,994	12,088,112
Performance bonus	916,742	778,769
	11,849,736	12,866,881
14.3 Post-retirement Medical Aid Benefits Liability		
<p>The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.</p> <p>The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2009. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.</p> <p>The members of the Post-employment Medical Aid Benefit Plan are made up as follows:</p>		
In-service members (Employees)	406	370
Continuation members (Retirees, widowers and orphans)	124	123
	530	493
<p>The liability in respect of past service has been estimated as follows:</p>		
In-service members (Employees)	24,943,062	17,944,228
Continuation members (Retirees, widowers and orphans)	48,484,592	42,384,647
	73,427,654	60,328,875
<p>The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:</p> <ul style="list-style-type: none"> - Bonitas - Key Health - Hosmed - LA Health - Munimed - Samwumed <p>The future-service cost for the ensuing year is estimated to be R2 200 992, whereas the interest cost for the next year is estimated to be R6 658 896.</p> <p>The principal assumptions used for the purposes of the actuarial valuations were as follows:</p>		
Discount rate	9.00 %	10.85 %
Medical inflation rate	7.50 %	9.69 %
<p>The amounts recognised in the Statement of Financial Position are:</p>		
Projected benefit obligation	73,427,654	60,328,875
Plan assets	-	-
Net obligation	73,427,654	60,328,875
Unrecognised actuarial losses	(11,877,322)	(3,796,287)
Total benefit liability	61,550,332	56,532,588

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	2009	2008
14. Employee benefits (continued)		
The amounts recognised in the Statement of Financial Performance are:		
Current service cost	1,277,764	1,016,825
Interest cost	6,401,306	4,204,781
Recognised actuarial losses/(gains)	-	-
Amounts charged to the Statement of Financial Performance	7,679,070	5,221,606
Movements in the present value of the defined benefit obligation were as follows:		
Opening liability	56,532,588	53,808,534
Payments to members	(2,661,326)	(2,497,552)
Charged to the Statement of Financial Performance	7,679,070	5,221,606
Closing liability	61,550,332	56,532,588
The effect of a 1% movement in the assumed medical inflation rate is as follows:	2009	% change
Increase:		
Effect on the aggregate of the current service cost and the interest cost	10,593,188	19.56 %
Effect on the defined benefit obligation	85,370,305	16.26 %
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	7,494,665	(15.41)%
Effect on the defined benefit obligation	63,777,748	(13.41)%
The municipality expects to make a contribution of R3,281 816 to the defined benefit plans during the next financial year.		
14.4 Ex-gratia pension benefits liability		
The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2009, 29 pensioners were eligible for payments in terms of this plan.		
The Municipality provides pension benefits to all employees that are not members of the Pension or Provident Funds, that have completed at least 10 years of service at the Council and have reached the age of 60. The benefit is calculated according to the average annual salary earned during the last year of service multiplied by number of years of service, divided by 60.		
The current-service cost for the ensuing year is estimated to be Rnil, whereas the interest cost for the next year is estimated to be R303 801.		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate	9.00 %	11.34 %
Benefit inflation rate	7.00 %	- %
The amounts recognised in the Statement of Financial Position are:		
Projected benefit obligation	3,518,200	459,914
Plan assets	-	-
Net obligation	3,518,200	459,914
Unrecognised actuarial (losses)/gains	(3,188,372)	45,721
Net liability in Statement of Financial Position	329,828	505,635

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Notes to the Annual Financial Statements

	2009	2008
14. Employee benefits (continued)		
The amounts recognised in the Statement of Financial Performance are:		
Service cost	39,914	37,170
Interest cost	50,883	35,531
Recognised actuarial (gains) losses	-	-
Amounts charged to the Statement of Financial Performance	90,797	72,701
Movements in the present value of defined benefit obligations were as follows:		
Opening liability	505,635	455,350
Payments to members	(266,604)	(22,416)
Charged to the Statement of Financial Performance	90,797	72,701
Closing liability	329,828	505,635
14.5 Long Service Awards		
<p>The municipality's obligation for Long Service Awards is a defined benefit plan. This plan is wholly unfunded as no contributions are made by the municipality into funds that are legally separate from the municipality and from which the employee benefits are paid (each subsequent financial year's expected payments of long service bonuses are budgeted for).</p> <p>The municipality, in substance, underwrites the actuarial and investment risks associated with the plan. Consequently, the expense recognised for the defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the defined benefit long service allowances is the present value of the defined benefit obligation less the fair value of any plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and using suitable interest rates.</p> <p>The calculation is performed by registered actuaries using the projected unit credit method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2009.</p> <p>At year end, 980 employees were eligible for Long-services Allowances. The future service cost for the ensuing year is estimated to be R520 433, whereas the interest cost for the ensuing year is estimated to be R520 188.</p>		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate	9.00 %	10.97 %
Salary inflation rate	7.00 %	9.03 %
The amounts recognised in the Statement of Financial Position are:		
Projected benefit obligation	6,166,536	5,394,005
Plan assets	-	-
Net obligation	6,166,536	5,394,005
Unrecognised actuarial (losses)/gains	-	-
Net liability in Statement of Financial Position	6,166,536	5,394,005
The amounts recognised in the Statement of Financial Performance are:		
Current service cost	969,775	737,631
Interest cost	536,285	361,237
Recognised actuarial losses	277,181	94,582
Amounts charged to the statement of financial performance	1,783,241	1,193,450

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Notes to the Annual Financial Statements

	2009	2008
14. Employee benefits (continued)		
Movement in the present value of defined benefit obligations were as follows:		
Opening liability	5,394,005	4,830,360
Payments to members	(1,010,710)	(629,805)
Charged to the Statement of Financial Performance	1,783,241	1,193,450
Closing liability	6,166,536	5,394,005

The municipality expects to make a contribution of R0,773 million to the defined benefit plans during the next financial year.

14.6 Multi-employer retirement benefit information

Employees belong to a variety of approved Pension and Provident Funds as described below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Cape Joint Pension Fund and Cape Joint Retirement Fund are defined benefit plans, whereas the Municipal Councillors Fund and the Provident Fund are defined contribution plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R14 613 388 (2008: R11 294 800) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

Cape Joint Pension Fund

The Cape Joint Pension Fund's contribution rate payable is 9% by the members and 18% by Council. The last valuation performed for the year ended 30 June 2008 revealed that the fund had an actuarial surplus of R182,73 million (2007: R200,21) million with a funding level of 106,5% (2007: 107,2%), and was in a sound financial state as at 30 June 2009.

Cape Joint Retirement Fund

The contribution rate paid by the members 9% (2008: 9%) and Council 18% (2008: 18%) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2008 revealed that the fund had an actuarial surplus of R42,93 million (30 June 2007: R104,47) million with a funding level of 112,2% (30 June 2007: 137,2%). The fund was certified to be in a sound financial position as at 30 June 2008.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
15. Deferred revenue (payables from non-exchange transactions)		
Assets financed from Conditional Government Grants	256,445,718	198,914,232
Assets financed from Donations and Public Contributions	3,973,537	4,152,382
Total deferred revenue	260,419,255	203,066,614
Transferred to current liabilities	(10,511,226)	(7,287,639)
		-
Non-current deferred revenue	249,908,029	195,778,975
The movement during the year are reconciled as follows:		
Balance at the beginning of the year	203,066,614	133,291,841
Additions during the year	64,642,476	78,063,534
Recognised in the Statement of Financial Performance	(7,289,835)	(8,288,761)
Balance at end of year	260,419,255	203,066,614
Transferred to current liabilities	(10,511,226)	(7,287,639)
		-
Non-current deferred revenue	249,908,029	195,778,975
Deferred revenue represents capital utilised to construct and acquire capital assets, which capital was obtained from grants received from Government.		
16. Provisions		
The movement in Provisions are reconciled as follows:		
	-	-
Balance at beginning of year		
Provisions made during the year	3,745,850	-
Balance at end of the year	3,745,850	-
Summary of provisions raised		
The provision relates to management's best estimate of the municipality's exposure to financial losses due to court cases instituted against it. The provision is expected to be utilised within the next year.		
An amount of R 3 342 686 relates to a dispute with the South African Local Authorities Pension Fund. The court ruled in favour of the claimant, but Council is in the process of requesting the court to set the matter aside.		
An amount of R 403 164 was awarded to Shirley Steyn, but Council is busy with a submission requesting the court to set the matter aside.		
17. Trade and other payables from exchange transactions		
Trade payables	26,082,553	19,153,746
Payments received in advance	12,752,494	3,944,804
Retentions	16,381,318	11,536,714
Sundry deposits	5,119,633	4,768,672
Other payables	4,508,320	4,717,054
Operating lease liability - Note 17.1	49,310	70,021
	64,893,628	44,191,011

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
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The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within credit timeframe.

The management of the municipality is of the opinion that the carrying value of trade and other payables approximate their fair values. The fair value of trade and other payables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

17.1. Operating lease liability

Operating leases with fixed escalation clauses are recognised on the straight-line basis. The operating lease liability was calculated as follows:

Balance at beginning of year	70,021	62,133
Operating lease payments	-	7,888
Operating lease expenses recognised in the Statement of Financial Performance	(20,711)	-
Total operating lease liability	49,310	70,021

Refer to note 42 for information on operating lease commitments.

18. Consumer deposits

Deposits

Electricity and water	10,785,097	9,763,615
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Guarantees

Guarantees held in lieu of electricity and water deposits	6,360,496	5,918,200
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Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on consumers deposit held. The management of the municipality is of the opinion that the carrying value of consumer deposits approximate their fair values. The fair value of consumer deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

19. Unspent conditional grants and receipts

Conditional Grants from other spheres of Government

National Government Grants	10,922,101	15,075,114
Provincial Government Grants	7,124,200	13,191,083
Local Government Grants	614,005	614,006
Total Conditional Grants and Receipts	18,660,306	28,880,203

The amount of unspent conditional grants and receipts are invested in ring-fenced investment accounts until utilised. Refer to Appendix F for more detail on conditional grants.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
20. Housing Development Fund		
Unappropriated surplus	17,301,528	13,021,215
Loans extinguished by Government on 01 April 1998	53,383,243	53,383,243
	70,684,771	66,404,458

Housing Development Fund is represented by the following assets and liabilities:

Inventory - note 8	1,392,260	2,166,633
Housing scheme loans - note 7	8,585,508	9,538,822
Other receivables from exchange transactions - Non-collected portion - note 10	1,960,381	1,741,006
Short-term investments - note 12	58,746,622	52,957,997
Total Housing Development Fund Assets and Liabilities	70,684,771	66,404,458

The Housing Development Fund has its origin from loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate unappropriated surplus account for housing transactions was kept.

21. Accumulated surplus

The accumulated surplus consists of the following liabilities:

Capital replacement reserve	6,829,615	34,669,055
• General services	24,073	502,548
• Electricity services	680,647	4,819,166
• Water services	678,553	13,246,013
• Sewerage services	215,347	2,060,658
• Refuse services	210,888	84,958
• Sale of property	4,890,465	13,927,638
• Parking facilities	129,642	28,074
Capitalisation reserve	72,931,437	85,702,118
Accumulated surplus due to the results of operations	1,236,009,476	1,227,263,494
Total Accumulated Surplus	1,315,770,528	1,347,634,667

The Capital Replacement Reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced financial instrument investments.

The Capitalisation Reserve equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail on the movement of Accumulated Surplus.

22. Rental revenue

Rental revenue earned is in respect of the following non-financial assets rented out:

Buildings	362,649	677,093
Halls	379,789	318,826
Other Facilities	1,114,827	1,131,929
	1,857,265	2,127,848

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
23. Service charges		
Fire Station - Sale of water	9,523	23,146
Refuse removal	33,334,314	28,110,037
Sale of electricity	228,126,074	195,343,520
Sale of water	63,678,712	62,385,000
Sewerage and sanitation charges	44,889,402	41,244,552
Sport recreation - Sale of services	-	33,641
	370,038,025	327,139,896

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariff.

24. Government grants and subsidies

Provincial: Equitable share	39,634,234	29,693,363
Provincial: Health subsidy	-	878,763
Provincial: Housing subsidy	27,501,401	19,911,106
Provincial: Proclaimed roads subsidy	788,461	750,255
Provincial: Community Development Workers	32,105	31,293
Finance Management Grant	1,328,929	302,394
Literacy programmes and training funds	205,962	609,065
Other subsidies	2,433,096	562,530
MIG: Flood damage	5,583,000	-
Library	755,946	466,454
Operational grants	78,263,134	53,205,223
Transferred from deferred revenue (offset depreciation on assets)	7,289,835	8,288,761
	85,552,969	61,493,984

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
25. Property Rates		
Rates received		
Commercial	22,573,954	26,216,214
Housing Schemes	31,294	28,021
Industrial	6,038,302	-
Impermissible Rates	(3,811,482)	-
Other (flat rate)	47,722	-
Residential	95,270,257	87,780,897
State (Domestic)	193,060	5,239,151
State (Erven and Schools - business tariff)	5,034,480	-
Less: Revenue forgone/Schedule 1 rebate rates	(25,048,266)	(29,658,712)
	100,329,321	89,605,571
Valuations		
Commercial	5,219,770,988	2,063,482,590
Industrial	1,472,756,470	-
Municipal	1,331,562,840	-
Residential	26,604,836,621	6,891,263,500
State (Domestic)	52,605	434,112,100
State (Erven and schools)	1,227,921,871	-
	35,856,901,395	9,388,858,190

Assessment rates are levied on the value of land and improvements, which valuation must be performed every five years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

A rebate of 20% (2008:20%) was allowed on residential properties, excluding residential properties in the rural areas, whilst rebates of 10% - 40% (2008: 10% - 40%) were applied to pensioners, based on the annual income of the ratepayer. A discount of 20% was granted to the State. Business tariffs at 0.4100 for Commercial, Industrial, State Erven and Schools, and for all Areas.

Rates are levied annually on property owners and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable on the 7th of each month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

The total of valuations and actual rates levied were as follows:

George:	Site Valuations R	Building Valuations R	Total Valuations R	Actual Rates levied R
30 June 2009				
Commercial	154,713,500	3,235,675,970	3,390,389,470	13,900,597
Housing Schemes	-	-	-	31,293
Industrial	115,318,970	1,357,437,500	1,472,756,470	6,038,302
Other (Flat rate)	-	-	-	47,722
Residential	2,229,649,370	15,591,805,295	17,821,454,665	65,404,739
State	17,645,000	34,960,000	52,605,000	193,060
State (Erven and schools)	149,132,000	928,740,000	1,077,872,000	4,419,275
	2,666,458,840	21,148,618,765	23,815,077,605	90,034,988
30 June 2008				
Commercial	453,101,400	1,223,806,350	1,676,907,750	20,457,183
Housing Schemes	-	-	-	28,021
Other (Flat rate)	-	-	-	17,088
Residential	1,303,815,070	3,265,763,650	4,569,578,720	56,310,742
State	88,746,000	290,089,000	378,835,000	4,510,261
	1,845,662,470	4,779,659,000	6,625,321,470	81,323,295

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
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25. Property Rates (continued)

The last valuation came into effect on 1 July 2008.

Uniform rates of 0,3670 (2008: 1,8164) cent in the Rand on land valuations and 0,3670 (2008: 0.9991) cent in the Rand on building valuations were applied to determine assessment rates.

Wilderness, Herolds Bay, Victoria Bay, Oubaai & Kleinkrantz:	Site valuations	Building valuations	Total valuations	Actual rates levied
30 June 2009	R	R	R	R
Commercial	66,347,000	408,880,150	475,227,150	1,948,431
Residential	1,331,202,330	3,793,884,500	5,125,086,830	17,871,178
State	31,640,000	12,322,000	43,962,000	180,244
	1,429,189,330	4,215,086,650	5,644,275,980	19,999,853
30 June 2008				
Commercial	2,920,000	1,391,000	4,311,000	63,590
Residential	688,307,600	752,988,110	1,441,295,710	19,024,045
State	3,754,000	300,000	4,054,000	67,626
	694,981,600	754,679,110	1,449,660,710	19,155,261

The last General Valuation came into effect on 1 July 2008.

Uniform rates of 0,3487 (2008: 1,7156) cent in the Rand on land valuations and 0,3487 (2008: 0,9491) cent in the Rand on building valuations were applied to determine assessment rates.

Hoekwil, Wilderness Heights & Touwsranteen Smallholdings:	Site valuations	Building valuations	Total valuations	Actual rates levied
30 June 2009	R	R	R	R
Commercial	1,040,000	58,413,500	59,453,500	243,759
Residential	137,353,474	567,575,750	704,929,224	2,328,381
State (Erven and schools)	-	1,515,000	1,515,000	6,212
	138,393,474	627,504,250	765,897,724	2,578,352
30 June 2008				
Commercial	440,000	2,473,000	2,913,000	29,430
Residential	99,932,500	81,705,240	181,637,740	2,368,390
	100,372,500	84,178,240	184,550,740	2,397,820

The last General Valuation came into effect on 1 July 2008.

Uniform rates of 0.3303 (2008: 1,6348) cent in the Rand on land valuations and 0,3303 (2008: 0.8992) cent in the Rand on building valuations were applied to determine assessment rates.

Rural Areas:	Site valuations	Building valuations	Total valuations	Actual rates levied
30 June 2009	R	R	R	R
Commercial	64,889,100	1,229,811,768	1,294,700,868	5,308,274
Residential	1,035,292,990	1,918,072,912	2,953,365,902	10,838,853
State	48,392,990	56,179,881	104,572,871	428,749
	1,148,575,080	3,204,064,561	4,352,639,641	16,575,876

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
25. Property Rates (continued)		
30 June 2008		
Commercial	99,496,840	279,854,000
Residential	506,807,330	191,944,000
State	18,291,100	32,932,000
	624,595,270	504,730,000
	379,350,840	698,751,330
	51,223,100	661,264
	1,129,325,270	16,387,907

The last General Valuation came into effect on 1 July 2008.

Uniform rates of 0,3670 (2008: 1,8164) cent in the Rand on land valuations and 0,3670 (2008: 0,9991) cent in the Rand on building valuations were applied to determine assessment rates.

A rebate of 80,00% (2008: 85,00%) was allowed on residential properties, whilst a rebate of (2008: 10%) was allowed on business properties.

Total for all Areas:	Site Valuations	Building Valuations	Total Valuations	Actual Rates levied
30 June 2009	R	R	R	R
Commercial	286,989,600	4,932,781,388	5,219,770,988	21,401,061
Housing Schemes	-	-	-	31,293
Industrial	115,318,970	1,357,437,500	1,472,756,470	6,038,302
Other (Flat rate)	-	-	-	47,722
Residential	4,733,498,164	21,871,338,457	26,604,836,621	96,443,151
State	97,677,990	103,461,881	201,139,871	802,053
State (Erven and schools)	149,132,000	930,255,000	1,079,387,000	4,425,487
	5,382,616,724	29,195,274,226	34,577,890,950	129,189,069
30 June 2008				
Commercial	555,958,240	1,507,524,350	2,063,482,590	25,153,485
Housing Schemes	-	-	-	28,021
Other (Flat rate)	-	-	-	17,088
Residential	2,598,862,500	4,292,401,000	6,891,263,500	88,826,538
State	110,791,100	323,321,000	434,112,100	5,239,151
	3,265,611,840	6,123,246,350	9,388,858,190	119,264,283

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
26. Finance income		
Interest income on loans and receivables		
Art 185(a) arrangements	118,867	129,662
Land sales	49,252	126,740
Outstanding trade receivables	3,955,055	3,652,414
Selling schemes	867,113	1,129,300
Vehicle loans	1,292	17,262
Victoria Bay loans	11,020	15,549
Zader loan	-	11,031
Discounting of revenue	-	-
	5,002,599	5,081,958
External Investments		
Interest income on bank deposits	8,927,126	5,447,094
Interest income on unimpaired held-to-maturity investments	20,853,995	30,802,765
	29,781,121	36,249,859
Total finance income	34,783,720	41,331,817
27. Other Income		
Application fees for second dwelling	592,443	1,893,238
Building plan fees and related income	5,853,205	8,391,217
Contributions received to capital projects	12,975,329	15,623,628
Sale of erven	1,822,806	5,258,918
Sundry income	8,705,718	7,373,703
	29,949,501	38,540,704
The amounts disclosed above for Other Income are in respect of services rendered, other than described in notes 22 - 26, which are billed to or paid for by the users as the services are required according to approved tariffs.		
28. Bulk purchases		
Electricity	119,762,528	88,880,983
Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom. No water is purchased.		
29. Contracted Services		
Other contractors	45,191,056	33,451,740
30. Depreciation and amortisation		
Amortisation: Intangible assets	611,646	474,854
Depreciation: Property, plant and equipment	56,383,517	39,256,543
	56,995,163	39,731,397

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
31. General expenses		
Included in general expenses are the following:		
Accommodation, entertainment and travelling costs	2,558,224	2,463,860
Chemicals	9,737,239	5,765,049
Energy costs	11,498,222	10,041,945
Flood damage	17,987,995	13,343,544
Impairment of inventory	14,765	(125,812)
Other general expenses	71,672,086	63,672,382
Rentals: operating leases	1,239,866	1,294,660
	114,708,397	96,455,628

Flood damage

Flood damage costs resulted from unseasonal floods that occurred in the George area.

Other general expenses

The amounts disclosed above for other general expenses are in respect of costs incurred in the general management of the municipality and are not direct attributable to a specific service or class of expense.

Rentals: operating leases

Rentals paid in respect of operating leases are minimum lease payments for the year under review for the office equipment held under non-cancelable operating lease agreements. The effect of the straightlining operating leases is disclosed in note 17.1.

32. Finance costs

Interest expense on financial liabilities measured at amortised cost:

Finance leases	26,208	43,223
Loans and borrowings	31,723,739	22,440,548
Housing development fund	4,316,220	4,853,918
	36,066,167	27,337,689

The weighted average capitalisation rate on funds borrowed generally is 10,07% per annum (2008: 8,00%).

33. Grants and subsidies paid

Bursary grants	223,846	263,760
Equitable share	35,074,567	25,781,422
Festival	480,000	593,009
Gifts	1,692,169	1,561,260
International Sevens Rugby	2,884,933	2,699,718
Merit grants	37,459	25,200
Social services projects	19,078	1,616,023
SPCA - Small Animal Pound	912,371	825,262
	41,324,423	33,365,654

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
33. Grants and subsidies paid (continued)		
The Bursary grants are in respect of providing bursaries.		
Equitable Share Projects are projects carried out with grants received to uplift the community.		
Festival money received from the Extended Public Works Programme was utilised to create work and job opportunities in the community.		
Gifts are paid to assist individuals from the community in need caused by a disastrous event.		
International Sevens Rugby grants are made available by the Mayor on application, after consulting with the Municipal Manager on the merits of such an application.		
Merit Grants received from the Extended Public Works Programme was utilised to create work and job opportunities in the community.		
Social Service Projects are paid to assist individual from the community in need caused by a disastrous event.		
SPCA Grants available on application after consulting with the Municipal Manager on the merit of such an application.		
34. Impairment losses		
Computer Network: Impairment Expenses	3,287,264	-
Impairment of trade and other receivables	21,272,865	22,967,381
	24,560,129	22,967,381
Reversal of impairment losses on trade and other receivables	(14,502,597)	(18,213,837)
	10,057,532	4,753,544
35. Personnel costs		
Basic pay	114,796,537	97,655,056
Housing benefits and allowances	1,641,259	1,349,770
Long-service awards	1,928,381	1,544,263
Medical aid - company contributions	6,363,511	7,649,988
Other payroll levies	2,195,488	1,633,064
Overtime payments	13,211,679	10,008,763
Post-employment defined benefits	9,553,108	6,487,757
Current service cost	2,287,453	1,791,626
Interest cost	6,988,474	4,601,549
Net actuarial losses recognised	277,181	94,582
Travel, motor car, accommodation, subsistence and other allowances	10,784,431	8,272,630
UIF	1,075,845	845,700
SDL	16,482,908	13,520,215
WCA	1,077,263	650,340
	179,110,410	149,617,546
No advances were made to employees. Loans to employees are set out in note 7.		
Remuneration of Municipal Manager		
Annual remuneration	776,433	710,490
Car Allowance	84,000	84,000
Contributions to UIF, Medical and Pension Funds	1,497	1,473
Performance bonus	111,289	111,229
	973,219	907,192

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
35. Personnel costs (continued)		
Remuneration of Chief Financial Officer		
Annual remuneration	527,350	472,282
Car allowance	90,000	90,000
Contributions to UIF, Medical and Pension Funds	102,693	102,669
Performance bonus	99,522	99,522
	819,565	764,473
Remuneration of Assistant Municipal Manager		
Annual remuneration	370,096	437,781
Car allowance	97,359	133,868
Contributions to UIF, Medical and Pension Funds	15,763	39,835
Other	20,000	27,500
Performance bonus	25,111	89,268
	528,329	728,252
Remuneration of Executive Director: Corporate Services		
Annual remuneration	375,949	391,433
Car allowance	103,636	119,163
Contributions to UIF, Medical and Pension Funds	87,165	85,789
Performance bonus	-	83,304
	566,750	679,689
Remuneration of the Executive Director: Community Services		
Annual remuneration	452,832	376,516
Car allowance	118,080	108,240
Contributions to UIF, Medical and Pension Funds	114,586	95,548
Performance bonus	-	81,053
	685,498	661,357
Remuneration of Executive Director: Planning and Housing		
Annual remuneration	471,607	322,182
Car allowance	96,000	72,000
Contributions to UIF, Medical and Pension Funds	117,890	80,625
Performance bonus	62,124	66,316
	747,621	541,123
Remuneration of Executive Director: Environmental Affairs		
Annual remuneration	439,237	364,623
Car allowance	139,200	127,600
Contributions to UIF, Medical and Pension Funds	107,060	88,081
Performance bonus	81,054	81,053
	766,551	661,357

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
35. Personnel costs (continued)		
Remuneration of Executive Director: Civil Engineering Services		
Annual remuneration	483,502	401,281
Car allowance	132,000	121,000
Contributions to UIF, Medical and Pension Funds	111,519	93,168
Performance bonus	85,973	85,973
	812,994	701,422
Remuneration Executive Director: Electro-Technical Services		
Annual remuneration	431,142	356,995
Car allowance	144,000	132,000
Contributions to UIF, Medical and Pension Funds	110,356	91,309
Performance bonus	75,929	81,053
	761,427	661,357
36. Remuneration of councillors		
Executive Mayor	336,218	292,396
Deputy Executive Mayor	211,024	178,592
Speaker	313,646	253,149
Mayoral Committee Members	1,774,812	1,362,562
Councillors	3,026,226	2,785,676
Councillors' Contributions to Pension Funds	778,838	693,102
Travelling expenses	2,180,205	1,897,287
Cellphone expenses	441,435	392,626
Councillors' Contribution to Medical Aid	125,198	110,583
	9,187,602	7,965,973

In-kind benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayor Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Executive Mayor and Deputy Executive Mayor have a use of a Council owned vehicle for official duties.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
37. Auditor's remuneration		
Fees	1,710,539	1,060,748
38. Correction of prior period error		
The Municipality corrected the following prior period errors retrospectively and restated comparative amounts:		
Land not previously recognised as property, plant and equipment		
The effect of the correction is that the opening balance of the 2008 accumulated surplus is R607 705 067 more than previously reported.		
Land not previously recognised as inventory		
The effect of the correction is that the opening balance of the 2008 accumulated surplus is R296 948 323 more than previously reported.		
Post-retirement benefit obligations not recognised retrospectively		
The effect of this correction is that the opening balance of 2008 accumulated surplus is R55 944 471 less and the 2008 surplus R55 944 471 more than previously reported		
Valuation roll costs capitalised		
The effect of the correction is that the opening balance of the 2008 accumulated surplus is R1 515 102 less and the surplus for 2008 is R1 126 531 less than previously reported.		
Discounting of revenue using an imputed interest rate		
The effect of the correction is that the 2008 opening balance of accumulated surplus is R157 164 less and 2008 surplus is R28 362 less than previously reported.		
Correction of unit cost of purified water		
The effect of the correction is that the 2008 surplus is R46 270 more than previously reported.		
The effect of these corrections of error on accumulated surplus and surplus is summarised below:		
Effect on accumulated surplus		
Land not previously recognised as property, plant and equipment	-	607,705,067
Land not previously recognised as inventory	-	296,948,323
Reversal of raw water previously recognised	-	(7,490,000)
Post retirement benefit obligations	-	(55,944,471)
Post-retirement medical aid benefits	-	(51,310,982)
Ex-gratia pension payments	-	(432,934)
Long service awards	-	(4,200,555)
Valuation roll cost expensed	-	(1,515,102)
Increase in accumulated surplus	-	839,703,817
Effect on surplus for the year		
Post retirement benefit obligations	-	55,944,471
Post-retirement medical aid benefits	-	51,310,982
Ex-gratia pension payments	-	432,934
Long service awards	-	4,200,555
Valuation roll cost expensed	-	(1,126,531)
Derecognition on raw water stock	-	1,002,000
Correction of unit cost of purified water	-	46,270
Increase in surplus	-	55,866,210

George Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
38.1 Opening balances have been restated as follows:		
Land and buildings classified as property, plant and equipment		
Balance reported previously	-	-
Fair value of land not previously recognised	-	607,705,067
Restated opening balance	-	607,705,067
Land classified as inventory		
Balance reported previously	-	2,227,415
Fair value of land not previously recognised	-	296,948,323
Restated opening balance	-	299,175,738
Post-retirement benefit obligations		
Balance reported previously	-	-
Post-retirement benefits obligation recognised retrospectively	-	(55,944,471)
Restated opening balance	-	(55,944,471)
Intangible assets		
Restated opening balance/ Balance reported previously	-	8,498,434
Valuation roll cost expensed	-	(1,515,102)
Restated opening balance	-	6,983,332

39. Financial instruments

39.1 Classification of financial instruments

Financial assets

The financial assets of the municipality are classified as follows:

Loans and receivables

Non-current receivables

Housing scheme loans
Sale of erven loans
Loans to other organisations

Trade receivables

Exchange transactions

Electricity
Housing rentals
Loan instalments
Other consumer receivables
Refuse
Sewerage
Water

Non-exchange transactions

Assessment rates

	4,272,847	4,766,975
Housing scheme loans	3,300,036	3,581,392
Sale of erven loans	329,634	473,262
Loans to other organisations	643,177	712,321
Trade receivables	60,556,280	48,246,084
Electricity	15,536,395	14,209,292
Housing rentals	219,832	365,979
Loan instalments	994,979	1,041,689
Other consumer receivables	1,794,514	1,473,261
Refuse	6,856,936	5,248,960
Sewerage	8,363,583	6,188,300
Water	13,564,105	11,863,936
Non-exchange transactions	13,225,936	7,854,667